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28 APRIL 1987

West Europe Report

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WEST EUROPE REPORT

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CHRISTIAN PARTY DECISION SUPPORTING COALITION CREATES FUROR

Arne Bjerregaard Quits

Copenhagen BERLINGSKE TIDENDE in Danish 16 Mar 87 p 3

[Article by Morten Larsen: "Bjerregaard Resigns in Anger"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The executive committee of the Christian People's Party has decided to continue the four-party cooperation after the next election and Folketing member Arne Bjerregaard has now left the party in anger over this decision.

It came as no surprise to Folketing member Arne Bjerregaard's former party colleagues in North Jutland that he took the consequences of long dissatisfaction with the Christian People's Party's participation in the four-party coalition government and resigned from the party yesterday to become an independent member of Folketing until the next election.

But his abrupt exit came at an inconvenient time.

The Christian People's Party [KRF] in North Jutland now lacks a vote-getter who can be sure of winning the Folketing seat that Arne Bjerregaard has held unchallenged since 1973. In the 1982 election Bjerregaard received 5,193 personal votes--almost half of the 12,224 votes the party received in the nation's northernmost county.

KRF national chairman Flemming Kofod-Svendsen has been mentioned as a candidate in the Hjørring district, but yesterday he finally declined the offer.

Flemming Kofod-Svendsen will remain in the Lyngby district, where he was elected.

Arne Bjerregaard reached his decision to leave the party yesterday--less than a day after the KRF executive committee decided at a meeting in Fredericia to put a stop for the time being to the internal party debate over continued participation in the four-party cooperation.

By a two-thirds majority the executive committee decided that KRF is prepared to be included in the parliamentary basis for a government similar to the present one and that it will participate in a new four-party coalition government if a substantial part of the party's policy can be included in the government's policy.

"We are very happy about the decision, which is a vital necessity for the party," said Environmental Affairs Minister Christian Christensen (KRF).

For Arne Bjerregaard this meant that the party has confirmed its firm position in the nonsocialist camp and abandoned its original ideological foundation as a middle-seeking party that showed consideration for the weaker groups in society.

Therefore he took the consequences and resigned from the party. He is now continuing as an independent member of Folketing until the next election. He will not run again, either alone or for any other party, and he has no intention of starting a new party unless he receives "thousands of letters" urging him to do so.

Arne Bjerregaard's resignation will have no consequences for the four-party nonsocialist government. Both the Conservatives and the Liberals have picked up strength in Folketing since the last election as a result of the fact that John Arentoft and Ole Maisted left the Progressive Party and affiliated themselves with these parties.

Thus the four-party coalition is guaranteed a majority in combination with the Radical Liberals, even if Arne Bjerregaard votes with the opposition.

Flemming Kofod-Svendsen regrets that Arne Bjerregaard did not remain in the Folketing group until the election, but at the same time he is looking forward to having peace in the party now as far as government participation is concerned.

Dissatisfaction has been expressed at several national congresses and the party congress in Kolding at the end of May will show whether Flemming Kofod-Svendsen's hopes are realistic.

Nonsocialist Coalition Possibly Prevented

Copenhagen BERLINGSKE TIDENDE in Danish 18 Mar 87 p 3

[Article by Per Lyngby: "Turmoil Hurting Government"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] If both the Christian People's Party and the Left-Socialists [VS] drop out of Folketing the nonsocialists will lose the most in terms of political stability, according to an election expert. In general the turmoil in the Christian People's Party is creating uncertainty among nonsocialist voters who would like to know what kind of government they will get.

The crisis of the Christian People's Party after Arne Bjerregaard's departure could ultimately mean that the nonsocialist government will be weakened after the election. That will happen if the party slides below the cutoff barrier, even if VS on the opposite side fails to get enough votes either.

That is the opinion of an election expert, Associate Professor Hans Jorgen Nielsen of Copenhagen University. He would not make a definite prediction about whether or not the Christian People's Party will drop out of Folketing, but if that happens the consequences for the government coalition could be fatal.

"There is an amazing stability in the distribution of socialist and non-socialist votes. Therefore the fate of the government could depend on whether KRF or VS drops out or whether both parties are voted out of Folketing," Hans Jorgen Nielsen told BERLINGSKE TIDENDE.

The polls are predicting a defeat for VS and if the Christians fail to receive the magic 2 percent of the votes as well, that will even the score. But from a political point of view, the government has an obvious need for the Christian People's Party, while the Social Democrats and the Socialist People's Party [SF] can do without VS, which will give them a more secure foundation.

"The uproar in the Christian People's Party is creating uncertainty among the voters for the four parties about what they are 'buying,' under any circumstances," said Hans Jorgen Nielsen. "This is also due to the fact that everyone can see that the Liberals and the Conservatives are not in complete agreement. In an election situation, people want to know what they are getting. That will not be easy for the Christian People's Party and this in combination with other doubts will not be good for the government."

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CSO: 3613/49

SIUMUT DISSATISFIED WITH FOLKETING MEMBER PREBEN LANGE

Copenhagen BERLINGSKE TIDENDE in Danish 16 Mar 87 p 5

[Text] The Siumut Party [socialist, radical home-rule party] will probably not renominate Folketing member Preben Lange in the next Folketing election. There has long been dissatisfaction with Preben Lange's work in Folketing. Most recently Lange has fallen out with his party colleague, Greenland government leader Jonathan Motzfeldt, over the Thule issue.

The Siumut representative in Folketing belongs to the Social Democratic group and Preben Lange has followed that party's line on the Thule issue. However Jonathan Motzfeldt is inclined to follow the government's policy and rely on the information provided by Foreign Minister Uffe Ellemann-Jensen (Liberal) concerning the new Thule radar system.

The underlying reason is that the present government of Greenland believes it is very important for Greenland to renegotiate the principle of income distribution in connection with the extraction of raw materials in Greenland. The Schluter government was the first government since the introduction of home rule in 1979 to open a possibility of doing so.

When the Thule issue was debated in Folketing last week, Preben Lange made two speeches. One was prepared by Greenland government member Moses Olsen and the head of the Greenland office in Denmark, the other he wrote himself. In the official speech he supported the government and said among other things that neither the Greenlanders nor the Danes should interfere in the Thule question. But later in the debate Preben Lange also presented his own speech in which he expressed doubt about the information that had been provided. This was directly contrary to the official policy of the Greenland government and the Siumut Party and that is why the party is now looking around for a new Folketing candidate.

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CSO: 3613/49

REASONS FOR FORTHCOMING RECOGNITION OF ISRAEL

Athens PONDIKI in Greek 7 Mar 87 p 11

[Excerpts] There is much talk about Greek-Israeli relations, and of course, we keep very close to the story. (Anyway, didn't we give you the story before anyone else?)

--No question about the outcome: We are going to recognize Israel!

--A few questions remain as to how and when, but we shall try to answer such questions on the basis of reports and logic.

It is evident that the method selected for the recognition of Israel includes (in the first stage) getting the people "used" to the idea. In other words, to get used to the discussion so they won't be surprised by a sudden announcement. This is achieved with the visits of Greek and Israeli officials which started almost 2 years ago and still continue.

In the context of this first stage, the next step will be a visit by Alevras and a Greek parliamentary delegation to Israel in the summer, in return for a 1986 visit to Athens by an Israeli parliamentary delegation.

The Alevras visit is one more step in Greek-Israeli relations but the major leap will take place with the exchange of visits between the foreign ministers of the two countries in 1987, according to all forecasts.

This means that Papoulias and Perez--if Perez is still foreign minister--will visit each other, thus formalizing both legally and practically recognition of Israel with the accompanying fanfare.

We may even see a decree in the "Government Gazette" amending the Organizational Law of the Foreign Ministry raising our diplomatic mission to Tel Aviv to the level of an embassy. It is rather unlikely that recognition of Israel will take any other form such as a ministerial decision, a presidential decree or a statement by the premier.

What is left now is to decide when. No date has been set yet. It is almost certain that developments in Greek-Israeli relations will take place within 1988, because in the first half of 1988 we will become a member of the EEC "troika", which includes the country which held the chairmanship the previous

term, the country holding the chair the current term, and the country coming into the chairmanship next. In the second half of 1988 Greece will hold the EEC chairmanship and in this capacity will have a lot to do with the Israelis.

Finally, it is obvious that we are drawn into recognition of Israel and despite our desire to get something in return for such recognition, it is almost certain that any "sympathy" from the Jewish lobby will come (if it ever comes!) after we first recognize Israel. It will not be a give-and-take affair.

You see, the Israelis hold all the cards through the Jewish diaspora, to the point that they can even force the great Soviet Union to improve relations with them in order for them (Israelis) to accept an international conference over the Middle East...

What is left? The reaction of the Arabs to recognition of Israel. If we carefully study the subject we will find that the only serious reaction may come from Syria. Why?

--Egypt has diplomatic relations with Israel.

--Jordan has many contacts with Israel.

--Iraq has its hands full with problems and wants no more.

--Iran has even come to the point of buying arms from Israel.

--Saudi Arabia prefers Israel to the Arab radicals.

--Libya carries little weight and does not count nowadays.

--Morocco's Hassan has exchanged views already with Perez.

--Algeria is somewhat far away from the Middle East, and

--The PLO is obligated to us. We have treated it with kid gloves--and we paid a heavy price for its sake...

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CSO: 3521/96

PAPANDREOU-KARAMANLIS 'SECRET RAPPROCHMENT' ANALYZED

Athens PONDIKI in Greek 7 Mar 87 p 6

[Text] At the time of the first clash between the premier and the present president of the Republic, Andreas was discussing politics with a journalist at his home (Kastri). Referring to the 1985 election, the journalist said in effect:

--At that time, you got rid of Karamanlis and you won the election. What are you going to do in 1989?

Andreas smiled. The journalist did not let this pass. He went on:

--Unless you use again the same method.

The premier looked at him surprised and burst out laughing, without saying a word. A few minutes later when Margaret came into the office, Andreas said to the journalist.

--Say again what you said before about the 1989 election.

Two years after the--historic--events of March 1985, it is obvious that Andreas has a problem with developments.

The result of the Euroelections (PASOK 41.58 percent and 10 Eurodeputies; ND 38.05 percent and 9 deputies; KKE 11.64 percent and 3 deputies; KKE-Int. 3.42 percent and 1 deputy; EPEN 2.29 percent and 1 deputy), the growing opposition (organized and not) from the PASOK rank and file to Papandreou's initial decision to vote for Karamanlis, the prospects of the coming election and the fear that Karamanlis would probably use his constitutional "super-powers" during his second and last term as president, were among the reasons which led Andreas to the decision of 9 March.

His decision was condemned, at least for the unorthodox method for "removing" the president and was applauded as a sound political move--outside of any ethical reservations, etc. Since then, the "faults" of the Sartzetakis selection became apparent:

--The new president had more clashes with the premier than the previous president and caused many more problems.

The lost advantages of the Karamanlis presidency. The friends of Karamanlis claim increasingly that the Americans "helped" the ousting of Karamanlis in 1985 because they did not want to have--during PASOK's second term when the major issues between Greece and the U.S. were to come up for discussion--in power a strong team of two men agreeing on nationally advantageous moves--a right-wing president and a socialist premier.

However, in the intervening time relations between Sartzetakis and Papandreou became acute (in some cases dangerously so). At the same time a "flirtation" started suddenly between Andreas and Karamanlis. It still goes on, leaving many speechless as to what's it all about, as to what is being cooked up!

At the same time, Karamanlis has intensified his opposition to Mitsotakis. He receives much pressure to return to the political stage. He has become more open: he sees many people and talks about his negative feelings for Mitsotakis and about his question as to why Andreas removed him in the way he did.

The final argument of those who believe that in spite of the anti-PASOK current, Mitsotakis cannot defeat Andreas, and who try to bring Karamanlis back to the political arena is that the 1989 election (even if it comes earlier) is--in effect--a presidential election: the winning party will elect the president (with the cooperation of other parties, of course). In any event, it is the party which will control the election of the president.

In other words, they tell Karamanlis: Help ND with your presence to win the election and then go back to the presidency, taking revenge on everyone and for everything. This is the last development in the "blue" camp, but it hides some traps.

In 1980, Karamanlis abandoned his party and moved to the presidency (with great difficulty and much embarrassment) because he was afraid of losing the next election in 1981--if we were not convinced of that.

At the same time, by leaving the party in the hands of Rallis and Averof (these two fought over the party leadership which was won by Rallis) did a big favor for Andreas. Isn't that so?

Now, if he decides to run again (we speak theoretically, of course, because for us the Karamanlis statement that he has definitely retired from politics stands) he will again do Andreas a favor. Why?

Because if Karamanlis wins, Andreas will have an excuse: he lost to Karamanlis, he will not be humiliated by losing to Mitsotakis. On the other hand, if Andreas wins, his triumph will be great--and he, too, will move to the presidency! Just think about all this until next Friday...

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CSO: 3521/96

LIVANIS INFLUENCE SEEN RISING: INTRA-GOVERNMENT OPPOSITION

Athens I KATHIMERINI in Greek 15-16 Mar 87 pp 1, 3

[Article by Nik. Nikolaou: "Chasms and Conflicts in the Exercise of Authority"]

[Excerpt] The latest flare up in Greek-American relations as well as the nationalization of church property do not appear to have affected Papandreou's initial plans for elections in June 1988. These plans were based on the hoped-for results of the stabilization program. Recent events and developments in the economy confirm the assessment that, at least as of now, the government insists on strict implementation of austerity measures in order to achieve, by the spring of 1988, some leeway for its actions.

Political life is currently moving along the same lines with the government holding fast on power and the opposition party of ND calling for elections which are not forthcoming. In the meantime, one can see chasms in the decision-making centers, as well as conflicts which at times cause the political game to take on some dangerous aspects.

Independent observers note particularly the power vacuums recently appearing at the top level of government which lead, through harsh conflicts among ministries and among the premier's close collaborators, to a total lack of order or even to contradictory decisions.

The Livanis Role

It is indeed evident that lately And. Papandreou has relaxed his control over some critical sectors of government. This has allowed the takeover of critical responsibilities by persons who were not elected nor chosen by the Greek people. Several ministers now complain that they are unable to see the premier to brief him on serious matters, while most of them openly acknowledge that in the premier's circle (Kastri) power is increasingly passing into the hands of the Livanis-Kokkola-Zianguas "troika".

Chamber of Deputies Speaker I. Alevras seems to be working very closely with them, but the concentration of power into the hands of Livanis has caused wider repercussions within the cabinet, and several ministers, such as And. Tritsis, try to regain their independence through some spectacular actions.

In the end, the result is an unprecedented confusion, with contradictory measures and with the breaking up of power into several small and feuding fiefdoms. The negative effect of this struggle is evident in many sectors, particularly in the economy.

The premier, who currently stays away from many key points of government decision making, is probably happy with the energetic work Livanis does in his place. But the oppressed ministers hope that before long A. Papandreou will start the familiar balancing act by "decapitating" those associates who have achieved too much prominence.

The country's foreign economic relations is another sector with strong antagonisms and inconsistencies. The line proposed by [Minister of National Economy] K. Simitis is that stabilization of the economy requires good relations with the United States and the European Community.

Only from these two sources can the country obtain the resources needed to support economic recovery. At the same time, the Greek economy, as shown by its foreign trade, is definitely oriented toward closer relations with EEC and the United States. The National Economy Ministry found a common language with American Deputy Secretary Goldfield in its effort to heal the wounds left by the Prinos affair, while for the first time there is now a comprehensive timetable for liberalization of the Greek market in its relations with the EEC, with corresponding obligations on the part of the EEC for subsidies through Structural Funds. This timetable, which was prepared by National Economy Deputy Minister Giannos Papandoniou, and which will take the form of coordinated programs by the related ministries, will be submitted to the Government Council in the next few days for approval.

The steady improvement of Greek-American and Greek-EEC relations in the economic sector is in obvious contrast to the exacerbation taking place on the political level. Thus, the worsening climate in the political sector offsets the efforts for gains in the economic sector.

Of course, it is a fact that lately the hardest segment of American leadership (the Pentagon) is exerting strong pressure on the Greek government. This pressure is related to the increasing importance attached to Turkey by American strategic plans, as well as to the reaction of the Pentagon to Papandreou's plans to hold elections in the spring of 1988 with the issue of the bases still unsettled.

However justified the reaction of the Greek government to American pressure may be, it is clear that the theatrical tone it took served the short-term Papandreou efforts to shift the people's attention from the difficult economic problems, but it did not serve the country's long-term interests. Certainly, a strong foreign policy is not carried out through fiery speeches in vast auditoriums before selected partisan audiences.

In any event, the recent worsening of Greek-American relations will perhaps push back or will at least weaken the hopes of other government officials for plans to promote tourism and investments. It is known that this year a substantial rise in tourism with strong gains in foreign exchange is tied to the attraction of more American tourists.

On the other hand, the number of Americans visiting Greece or inquiring about investments or at least the purchase of "ailing" enterprises has increased.

Another sector of the economy suffering from internal conflicts among the various governmental factions is that of relations with the Greek business community. Even though Pan. Roumeliotis in the Ministry of Commerce and Giannos Papandoniou with their measures on exports and the freezing of prices have helped these relations, suspicion remains strong because other ministries take measures in the opposite direction.

An industrialist was recently asked by a foreign minister visiting our country what must be done for investments to start coming again. The answer was given in one word: Confidence. To the next question, how such trust can be established, the answer was again short: Through consistent action!

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CSO: 3521/100

CAVACO SILVA, ARMED FORCES CLASH, RESULTS 'UNFORESEEABLE'

Lisbon EXPRESSO in Portuguese 7 Mar 87 pp 1, 24

/Text/ The prime minister refused to confirm the promotion of six army colonels to the rank of brigadier general, because he disagreed with the preclusion of Colonel Hugo Rocha from the list of promotions approved by the Superior Council of the Army and presented to the Superior Council of National Defense (CSDN) at its meeting last Wednesday.

At the CSDN meeting, presided over by the head of state, Cavaco Silva said that he considered that officer (who was Mota Pinto's chief of staff in the Ministry of National Defense) to be sufficiently qualified to be included in the list and he insisted that the military heads reconsider the promotions presented to the Council.

Alberto Joao Jardim--who is a member of the Council but was unable to attend Wednesday's meeting--also sent a telex protesting the preclusion of Hugo Rocha's name and said that he considered that omission an act of discrimination toward an officer who is a native of Madeira.

EXPRESSO also learned that even the wife of the late PSD leader, Fernanda Mota Pinto, telephoned personally to the president of the republic to protest against the exclusion of Hugo Rocha from the list of promotions to brigadier general.

This attitude on the part of the prime minister, considered in political and military circles "without precedent" ever since the CSDN has been in operation, has resulted in extreme tension between the military heads and the prime minister; it is even being said in those circles that we are going to see a "genuine strongarm clash" between the government and the top echelon of the Armed Forces with "unforeseeable" results.

Might Some Military Heads Resign?

According to what EXPRESSO has learned, the military chiefs do not intend to change the list of nominations to brigadier general of the Army for reasons which General Firmino Miguel allegedly presented at the CSDN meeting on Wednesday. One of the principal reasons is that Col Hugo Rocha spent his military career in the offices of various ministers whereas the six colonels recommended by the Army for promotion to brigadier general have more complete and exemplary

curriculum. Among these are the names of Colonels Morato, Espirito Santo, Pereira Bonito and Areia.

In this perspective and in case that Cavaco Silva continues to insist on the nomination of Hugo Rocha, the conflict (avoided in this week's CSDN meeting by the conciliatory intervention of Mario Soares) could get much worse at the next meeting at which the subject will have to be brought up for further discussion. Therefore, there is talk in military and political circles that this "strongarm position" could result in unforeseeable action, such as the resignation of certain military chiefs directly involved in the matter--Firmino Miguel and Lemos Ferreira--who expressed complete solidarity with the CEME.

It may be recalled that, according to the law, it is up to the Army Council to present nominations for promotion in that branch and that it is then up to the CSDN to confirm or not confirm those nominations.

EXPRESSO also learned that Cavaco Silva's position surprised the entire Council, including Defense Minister Leonardo Ribeiro de Almeida who, like all the other ministers who make up the CSDN, was not previously informed of the government chief's position.

Meanwhile, the military leaders themselves were not very pleased with the conciliatory position taken by Mario Soares. In their opinion, it would have been better to vote on the nominations with those present at the meeting instead of postponing the discussion until the next meeting of the Council.

EXPRESSO also learned that the president of the republic tried to find out why Rear Admiral Vitor Crespo was not promoted inasmuch as the recommendation given by Admiral Sousa Leitao, the military head of that branch, had been accepted.

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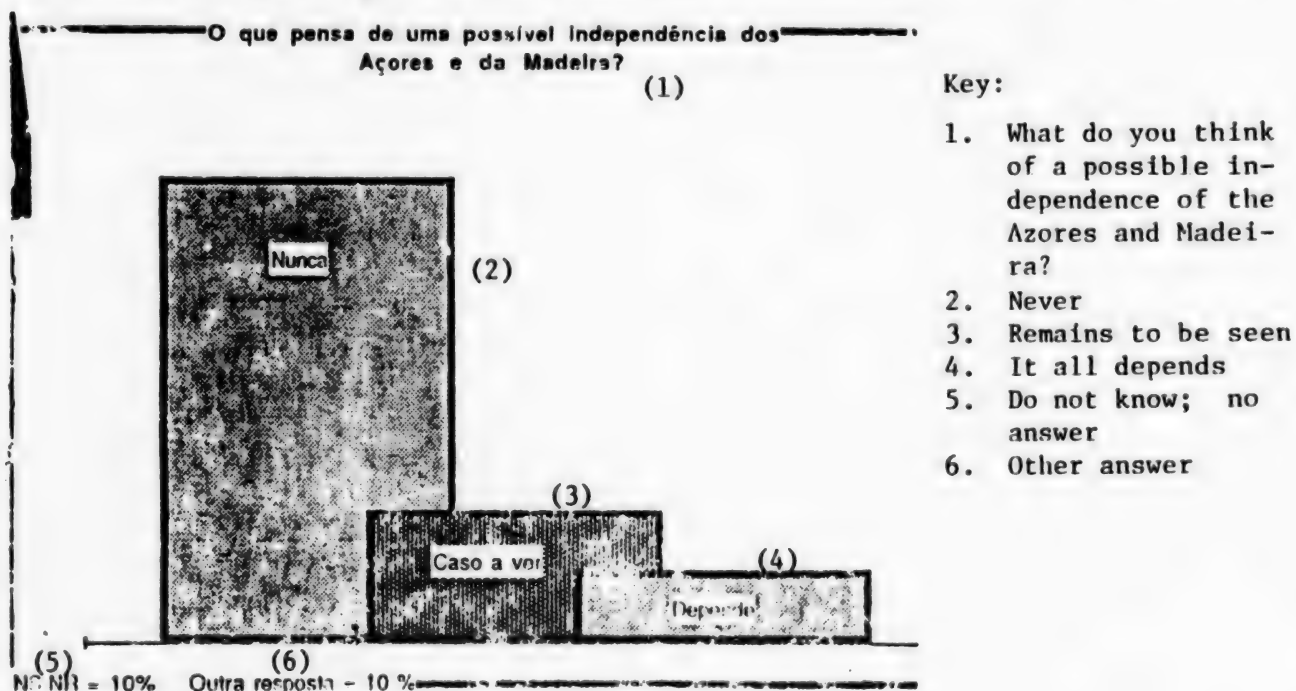
CSO: 3542/73

AZORES-MADEIRA INDEPENDENCE REJECTED

Lisbon O JORNAL in Portuguese 9 Jan 87 p 12

/Text/ The independence of the Azores and Madeira is unthinkable in the opinion of the vast majority of the electorate. A study made by Pluritest for O JORNAL indicates that 56 percent of the citizens reject that hypothesis and that only 9 percent say that it depends on the relationship which those autonomous regions happen to have with Portugal.

In all of the areas in which the survey was made and in all age groups, more than 50 percent of those polled consider the independence of the Azores and Madeira unthinkable. Only 16 percent think that it is a question to be discussed or a case to be seen. Only 9 percent think that independence depends on the relationship which Madeira and the Azores have with the continent. About 20 percent of those polled--a rather high percentage--do not answer, say that they do not know or prefer to give another answer.



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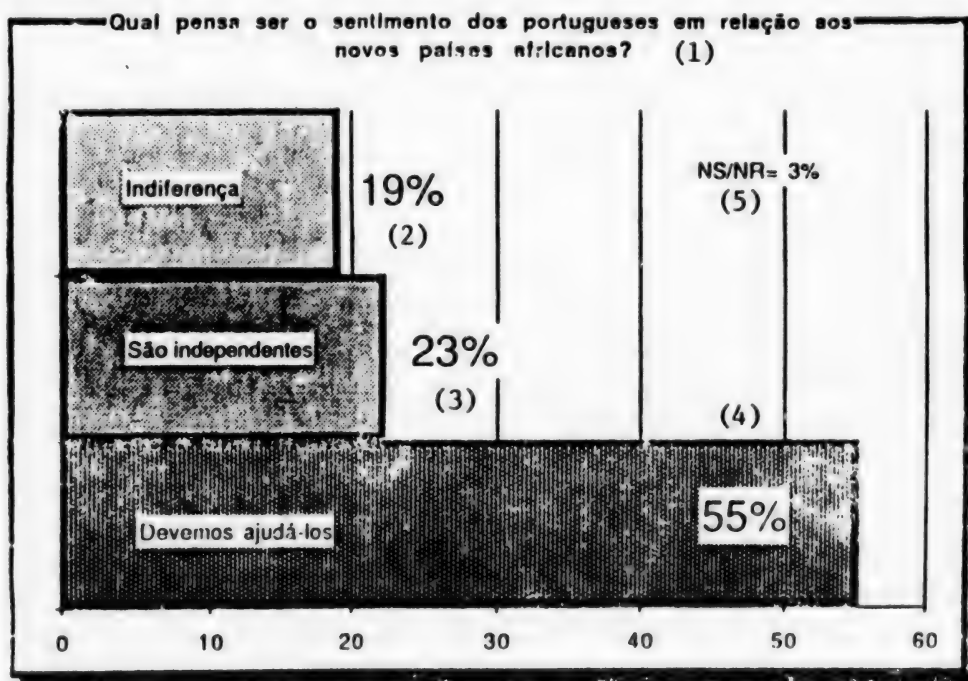
CS0: 3542/73

MAJORITY FAVORS ASSISTANCE TO FORMER COLONIES

Lisbon O JORNAL in Portuguese 9 Jan 87 p 12

/Text/ A majority of the Portuguese people thinks that our country should aid Portuguese-speaking African countries, according to a survey made by Pluriteste for O JORNAL. Only 19 percent think that Portugal has nothing to do with those countries. The study made by the polling firm shows that 55.3 percent of those polled believe that we should help the former colonies. That percentage is still higher among the youth and in the Lisbon area.

As for those who think that we should have nothing to do with those countries, representing 19 percent of those polled in the area covered by the survey, the majority is concentrated in Braga and in the age group above 65 years. Curiously, although the percentage of those who do not answer is very low--only 3 percent--about 23 percent assert that those countries are independent and that our attitude should therefore be one of independence toward them.



Key:

1. How do the Portuguese feel about relations with the new African countries?
2. Indifferent
3. Those countries are independent
4. We should help them
5. Do not know; no answer

8568

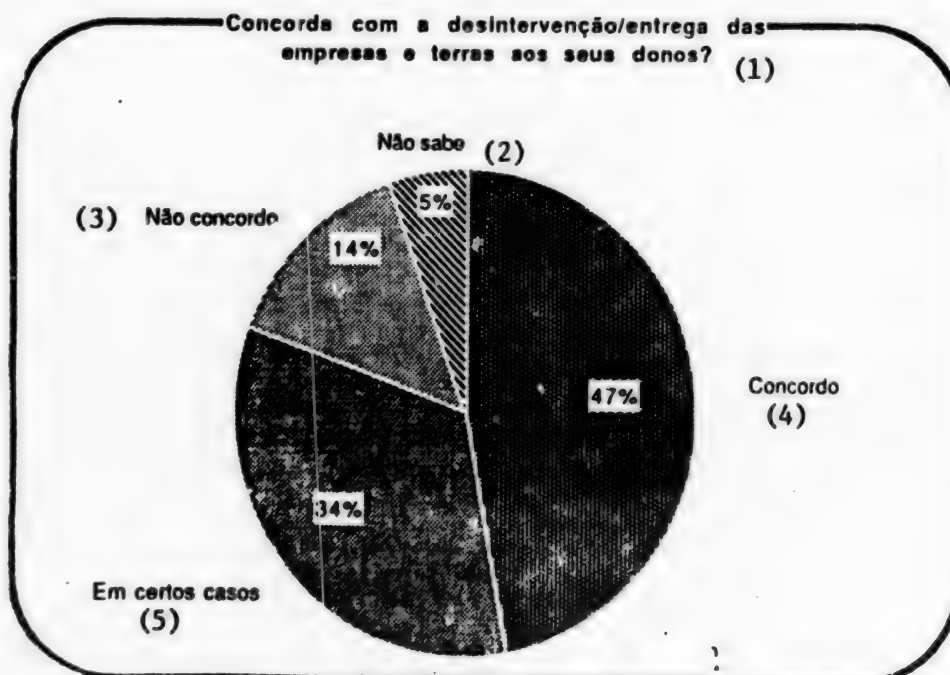
CSO: 3542/73

POLL REVEALS REPRIVATIZATION SENTIMENT

Lisbon O JORNAL in Portuguese 9 Jan 87 p 12

/Text/ Nearly half of the Portuguese electorate appears to agree with the reprivatization of property, that is, returning companies and lands to the original owners. According to a survey made by Pluritest for O JORNAL, only 14 percent do not accept that solution. Braga and Guarda show the highest percentages of the supporters of reprivatization--66 and 61 percent respectively. But in Porto it also exceeds 50 percent. At the national level the figure is 47 percent (see graph) and in Lisbon it is 41 percent.

Reprivatization also has more supporters among the younger age groups. High percentages are also encountered among the age groups above 45 years. As for those who are opposed, the greatest percentage is found in Beja--33 percent--followed by Porto, with 17 percent. It should be noted that a very significant percentage--34 percent--agrees with a certain amount of reprivatization but not totally. In Beja 44 percent are in favor of that solution and in Lisbon the figure is about 40 percent.



Key:

1. What do you think of returning companies and land to their original owners?
2. Do not know
3. Do not agree
4. I agree
5. In certain cases

BRIEFS

GODTHAAB OVERWHELMED BY MIGRATION--(RB--The lack of work, housing and room in daycare institutions in the Greenland capital of Nuuk (Godthaab) is now so serious that the Nuuk municipal council has found it necessary to issue a pamphlet warning people against moving to the city. The pamphlet, which is signed by Nuuk mayor Bjarne Kreutzmann, contains three warnings to people who are considering moving there. The first says: Wait until you know you have a place to live! The second: Wait until you are sure you have a job! And the third says: Wait until you are sure you can get your children into daycare! [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 87 p 7] 6578

CSO: 3613/49

BANK DIRECTOR, ECONOMISTS PESSIMISTIC ON SCHLUTER PROGRAMS

Central Bank Director: Intervene

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 87 Sec III pp 4-5

[Article by Hugo Garden; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The director of the National Bank is back with another bleak assessment of the economy. Erik Hoffmeyer said in an interview with BERLINGSKE TIDENDE that competitiveness will take a downward turn and consumption could rise again, although not drastically. But he stressed that it has become harder to predict developments. He announced a more active control of short-term interest rates and conceded that monetary policy was tightened up too slowly last year.

"Some of the improvement in competitiveness has been lost but not to a catastrophic extent," said National Bank director Erik Hoffmeyer.

He expects a deterioration in competitiveness in the years ahead not only because of the new contracts but also as a result of the preceding cuts in work hours, the abolition of employer contributions and the rise in the effective exchange rate of the krone. "Everything points in the direction of a tendency toward a decline of competitiveness," said Erik Hoffmeyer, who did not want to translate his predictions into precise figures.

Factors that could push things in the opposite and better direction are an improvement in productivity and the good company earnings in 1985. "There is a more positive attitude toward improving productivity today than there used to be," he said.

Bleak Picture

Hoffmeyer painted quite a bleak picture of economic developments. We are headed for stagnation and in that kind of situation it will be harder to reduce the balance of payments deficit than it has been in the last 4 years when we had an economic upturn.

"But there is no doubt that the balance of payments will improve this year. Most people believe that. The question is whether the deficit will be 20 or 25 billion kroner compared to 34 billion last year. The disagreement on this point is justified. The main problem is whether the improvement will occur at the expense of employment and whether the balance of payments level can be maintained or whether there will be a new increase. One may well worry over whether there will be yet another deterioration in the balance. If that happens we must intervene promptly," said Erik Hoffmeyer.

The National Bank director would not set a date when the deficit might be eliminated. "Something unexpected always happens," he said. "But it is important that developments go in the right direction and it is extremely important to maintain the improvement once it has finally begun. This is especially important in a period of stagnation.

Intervention

"If an intervention is needed in the fall it must occur more quickly than has been the case in the past. Since February 1984 I have talked about the need to limit increased consumption. Others did not agree with me and there was no intervention before 1986, actually a year late, after consumption growth really got going. Everyone was wrong in predicting consumption growth. No one expected such a high consumption rate in 1985 and 1986, but at the National Bank we have long warned about the consequences of high consumption. The lesson from developments in recent years is that steps must be taken as soon as one sees a tendency toward deterioration."

Erik Hoffmeyer would not talk about specific kinds of intervention—if that should become necessary. But intervention must be directed at the two major elements in the economy: competitiveness and consumption. "There are no easy or clever measures. They do not exist anywhere. Technological renewal in the business sector and structural adjustment are important, but the vital elements are still cost trends plus consumption and savings.

"The new wage costs favor increased consumption instead of the consumption decline we predicted earlier for 1987. At the same time however the rate of savings is rising and the consumption rate is on the way down. No one can say yet how strong the development will be. Nor have we any clear picture of the effect that something like an increase in capital will have on consumption."

Interest Deduction

On one point Hoffmeyer sees absolute progress: the reduction of the interest deduction in the tax reform measure and the fall intervention. "This involves a turning away from credit rationing via the financial institutions and interest payments have become more expensive. That is a big advantage and I would like to see further limits on interest deductions," said Erik Hoffmeyer.

Political Determination

Asked if income policy was a failure because of the big wage costs now on the way, Hoffmeyer said that one cannot say that income policy was a failure. "Wage increases make up only part of wage costs, with a large part consisting of indirect wage costs and the increase in the exchange rate of the krone. But we have seen once again that it is difficult to pursue a tight income policy and therefore it is also extremely difficult to improve the balance of payments. The political determination to do so has not been strong enough," Hoffmeyer said.

"It has become harder now to improve the balance of payments but I would not call myself a pessimist. It is just more difficult in a period of stagnation and we do not know how long this period will last. It depends a lot on developments abroad and in particular on whether things ease up in West Germany after the finance ministers meet in Paris."

Big Fluctuations

In the last few years the economy has fluctuated sharply. The same is true of interest rates. But that did not lead Hoffmeyer to say that we have returned to a fluctuating economic trend, a "go-stop" policy as it is called in which we alternate between easing up and clamping down. "A ceiling has been consistently set on public spending, the exchange rate policy has been fixed and inflation has come down. Lately consumption has been checked as a result of the very strict intervention in March 1986. That intervention was much tougher than the fall corrective, although it is the latter that has been talked about the most and that has had a psychological effect," said Hoffmeyer.

Therefore he would not endorse former chief economic adviser Karsten Laursen's statement that it is impossible to pursue economic policy. "It is impossible to avoid pursuing economic policy. However it can be hard to actually control the economy, to make it correspond to various goals. The politicians must have learned in recent years that it is more difficult to straighten out the economy than they thought it would be. I am not surprised that it is difficult but I must admit that I am surprised that the consumption increase was so strong and so long-lasting in 1985 and 1986," Hoffmeyer said.

In recent years economists and government officials have made widely different and often erroneous assessments of the economy, for example in forecasting balance of payments developments.

"But 'missing the mark' is an international phenomenon. Danish forecasts are no worse than their foreign counterparts. The problem is that there is a lot of uncertainty. The material on which we base the forecasts derives from the long period of expansion in the 1960's and 1970's, but now market conditions are different and people may also be behaving in a different way. Thus we cannot really use the old experiences and we are seeing some incorrect estimates," said Hoffmeyer.

Interest Control

Interest has fluctuated wildly in the past year. The rate was 9 percent last April, rising to 11 percent in the middle of the summer. Now it is 13 percent and the government is hoping for a rate of 9 percent by the end of the year.

"Everyone must learn to live with the daily interest fluctuations. This provides opportunities for speculation, but the National Bank will not help speculators get out of a bind they have entered voluntarily. People who buy houses can insure their quarterly payments. With regard to interest fluctuations over longer periods of time we have seen, most recently in the summer of 1986, that the National Bank cannot impose a specific interest level. The very sharp fluctuations are due to the fact that market expectations can shift sharply in the course of a year and these expectations cannot be controlled by the National Bank.

"On the other hand the National Bank can and will control short-term interest, i.e. interest on the money market," said Hoffmeyer. He indicated that the National Bank will be more active in the future in controlling short-term interest rates.

Asked if the National Bank was not too passive for a large part of 1986 when it came to managing short-term interest, more or less ignoring monetary policy, Hoffmeyer said that monetary policy should perhaps have been tighter in 1986. "But after the big increase in long-term interest rates--and we thought interest rates had risen too high last summer--we did not want to increase short-term interest rates, for that could have served as a signal for even higher interest rates. Besides that we could not combat foreign exchange anxieties in the fall with an increase of only 1 or 2 percent in short-term interest rates. But now money market interest has increased sharply and we will maintain it at the current level until the foreign currency flows back from abroad. We have not seen signs of any improvement yet.

"We must expect larger fluctuations in short-term interest in the future," Hoffmeyer said.

Freedom of Action

The National Bank recently recommended that financial institutions curb loans. "In recent months firms have paid off foreign loans to a large extent and taken out Danish loans, partly because of the anxiety over the krone. I will not criticize financial institutions for allowing companies to reorganize loans or warning them about anxiety over the exchange rate. We cannot determine other people's expectations. But with the recent interest increases, which have also affected financial institutions, we want to encourage companies to take out foreign loans again. The interest difference in comparison to other countries is very large at this time."

Erik Hoffmeyer regards the recent rise in interest rates as proof that there is still freedom of action in the area of monetary policy. After the liberalization of capital flow in 1983-85 several economists thought that the freedom of action in the area of monetary policy had been reduced, that we had become too dependent on other countries. "Some spoke of a change in course, but I think this simply involved a shift of a few degrees and we have now demonstrated that we still have freedom of action with regard to monetary policy. When we are in a difficult situation we must tighten up both monetary policy and fiscal policy. That is the consequence we can draw from developments in 1986 and 1987 when fiscal policy was strict, but monetary policy was not quite as strict. I must admit that we were too slow in tightening up monetary policy--we may have waited a little too long to tighten up short-term interest rates," Hoffmeyer said.

Continued Growth in Expenditures

Copenhagen BERLINGSKE AFTEN in Danish 13-19 Feb 87 p 10

[Article by Jorgen Grongaard Christensen: "Continued Growth in Public Spending Since 1981"]

[Text] This week the Danish Bureau of Statistics published new figures on public spending trends. They cover the years 1981-85. In contrast to the figures from the Finance Ministry's budget department, they are based on state and municipal balance sheets. They are not budget figures or preliminary estimates of anticipated developments.

The figures confirm that neither state nor municipal savings efforts have really had much impact in the 1980's. For public spending as a whole there has been a general growth in public spending, although it is somewhat more moderate than it was before.

As we can see in Table 1 there has been no saving in the area of public wage expenditures. They have grown year after year--even when the figures are corrected for inflation. On the other hand up to 1983-84 the state and to an even greater extent the municipalities made big savings in the purchase of raw and auxiliary materials and in investments. This means that the savings that were made in the 1980's were quite consistently shifted to the private sector and its employees.

A partial exception to the general pattern came in 1984. The municipalities were pinched by government intervention and the falling tax base. The result was a real decline in municipal spending which--for once--also included a reduction in total wages.

While the trend is quite obvious in state and municipal consumption and investment, the tendency is not quite as clear in the public sector's transfers to firms and households. As Table 2 shows, subsidies to state firms have been reduced since 1982. The explanation could be improved efficiency in state firms and in municipal supply firms. It could also be increased activity. But there is also another reason. In recent years

the state in particular, but also the municipalities, have increased their revenues from state-owned firms sharply. One of the reasons for this is consistent increases in public fees. All in all these increases have more than paid for general cost increases.

Table 2 also shows that the savings effort has not had much impact on support for the private business sector. Although there was a slight decline in subsidies from 1984 to 1985 they are a good deal higher--in terms of fixed prices--than the levels in both 1981 and 1982. Similarly, up to and including 1983 there was a steady rise in transfer payments to households. These include pensions and other social benefits as well as outlays for unemployment compensation. The main reason why a modest decline can be noted for these expenditures in 1984 and 1985 is the economic upturn. That rather than government efforts to economize led to a slight decline in outlays for unemployment compensation.

Table 1. Development in the use of resources in the public sector, 1981-85

<u>State Sector</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
	(Real growth compared to previous year)				
Wages and employer contributions	5.3	2.6	1.3	0.7	0.9
Consumption of raw and auxiliary materials plus fixed assets	- 1.2	2.3	2.3	- 1.1	2.0
Sale of goods and services	10.0	4.8	0.0	7.2	5.6
Total consumption	2.4	2.3	1.8	- 0.5	1.0
Fixed gross investments	27.8	-10.3	- 4.7	-11.2	3.3
<u>Municipal Sector</u>					
Wages and employer contributions	5.3	5.5	0.3	- 1.0	2.3
Consumption of raw and auxiliary materials plus fixed assets	- 1.5	- 0.7	- 2.8	- 0.2	3.0
Sale of goods and services	5.5	4.4	1.3	3.1	0.1
Total consumption	2.8	3.4	- 0.9	- 1.1	2.8
Fixed gross investments	-20.5	-20.2	-22.0	10.5	17.1

Source: Statistical Reports: National Accounts, Public Finances and Balance of Payments, 1987:1

Table 2. Development in public transfers to firms and households, 1981-85

<u>Type of Transfer</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Subsidies to state firms	4.7	8.5	-16.1	-11.1	2.2
Subsidies to private firms	- 9.1	10.1	11.9	9.7	- 3.7
Transfers to households	4.4	5.3	1.4	- 0.9	- 0.2

Source: Statistical Reports: National Accounts, Public Finances and Balance of Payments, 1987:1

Foreign Debt Rise Detailed

Copenhagen BERLINGSKE TIDENDE in Danish 1 Mar 87 p 17

[Commentary by Frank Dahlgaard; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Denmark's problem is not that we have a foreign trade deficit but that we do not have a surplus large enough to offset the enormous expenditures in the interest and donation balance. Here is Denmark's profit and loss statement on foreign transactions.

According to the calendar spring starts today, marking the opening of the season for annual statements. Luckily we can look forward to many good 1986 statements from the Danish business sector, but how do things stand with the total annual statement for Denmark in 1986?

The figures for Denmark's relationship to the rest of the world were published last week. Just like a regular business firm, Denmark's statement with respect to other countries consists of two parts: a profit and loss statement, which in everyday language is called the balance of payments, and a status statement which bears the less familiar economic name of the capital balance.

The Sunday edition of BERLINGSKE TIDENDE reproduces the two parts of Denmark's 1986 foreign status statement.

As we see the balance of payments is a statement of all the foreign currency revenue that Denmark earned in the course of the year minus the foreign currency expenses we incurred in the same period.

In all Denmark's foreign currency revenue last year amounted to around 250 billion kroner--or 1 billion kroner for every single working day. But the foreign currency expenditures added up to 284.6 billion kroner. Thus the difference between income and expenditures--the deficit in the balance of payments (also called the foreign exchange deficit)--was 34.6 billion kroner.

Table 3. Balance of Payments Statement for 1986 (in millions of kroner)

<u>Item</u>	<u>Foreign Exchange Revenues</u>	<u>Foreign Exchange Expenses</u>	<u>Net Revenue</u>
Trade of products	171,440	180,425	- 8,985
Shipping freight	18,880	17,000	1,880
Tourism	14,235	17,135	- 2,900
EC	9,810	6,530	3,280
Other	18,490	12,950	5,540
All goods and services	232,855	234,040	- 1,185
Interest, etc.	16,165	43,990	-27,825
Donations, etc.	1,020	6,560	- 5,540
Total, interest and donations	17,185	50,550	-33,365
Balance of payments, total	250,040	284,590	-34,550
Business sector's liquidation of foreign debt			16,256
Total deficit and debt liquidation:			50,806
Financed as follows:			
Public borrowing			36,717
Currency reserve used			14,089

Source: Danish Bureau of Statistics

Individual Items

Around two-thirds of Denmark's total foreign exchange revenues and expenses involve products traded with other countries. This part of the total balance of payments statement is called the trade balance.

Last year the value of products imported exceeded the total value of products exported to other countries by just under 9 billion kroner. For each 100 kroner we earned in foreign currency by exporting goods in 1986, we spent 105 kroner on goods we imported. The trade imbalance was no larger than that in the record deficit year of 1986.

If we go back to the 1970's the imbalance between exports and imports was much larger.

The next item on the balance of payments statement is shipping freight. This shows the money Danish shipping companies earned from freight hauled abroad minus their foreign exchange expenditures. Here Denmark has traditionally had a surplus. Last year the surplus in the freight balance was just under 1.9 billion kroner.

On the revenue side the tourist balance involves the money foreign tourists spend in Denmark and on the expense side it involves the money our tourists spend abroad. Border trade expenditures are also included in this item.

Last year the tourist balance deficit was 2.9 billion kroner. That is more than three times the 1985 deficit--and in every way it is the biggest deficit Denmark has ever had in this segment of the balance of payments.

In 1983 and 1984 we had a surplus in the tourist balance.

Interest Burden

The EC item involves on the income side the cash farm subsidies Denmark receives from the EC agricultural fund, FEOGA. The expense side shows the contribution Denmark makes to the joint EC account. Here there has traditionally been a surplus for Denmark and that was also true last year when we had a surplus of 3.3 billion kroner.

The item marked "other" in the statement involves foreign exchange income and expenses in connection with a long list of services such as ground and air transport, insurance, patent fees and know how.

The sum of these items in the balance of payments account gives the so-called goods and services balance. It reflects the total real trade of goods and services with other countries. As the table shows there was a deficit of only around 1 billion kroner in 1986. In previous years in the 1980's there has actually been a surplus in real foreign trade.

When the total balance of payments has still shown a big minus year after year it is due to the next item in the statement: the interest balance. The figure here includes repayments as well as interest installments, but the interest amount is the dominant factor.

Last year Denmark had to make a net payment of 27.8 billion kroner in interest and repayments to other countries, representing over 100 million kroner per working day. Some 80 percent of all last year's foreign exchange deficit can be assigned to net interest expenses, which of course are a result of our huge foreign debt.

The donation balance includes on the revenue side payments from other countries in the form of such things as inheritances, compensation and scholarships plus sums Danes abroad sent home to their families. On the expense side the big item is Danish aid to developing countries.

The total interest and donation balance (which has nothing to do with competitiveness or trading goods and services) showed a minus of 33.4 billion kroner last year, representing 96-97 percent of our total foreign exchange deficit.

Thus Denmark's problem is not that we have a deficit in our trade with other countries but that we do not have a large surplus that can offset the enormous deficit in the interest and donation balance.

Fearing a depreciation of the krone, Danish business firms began to reduce their foreign debt last year, as shown in the lower part of the balance of payments statement. This debt liquidation in combination with the current foreign exchange deficit meant that over 50 billion kroner had to be financed with foreign currency.

The state and municipalities acquired 36.7 billion kroner by going on a foreign borrowing spree in the last half of 1986. The rest came from currency reserve funds, seriously depleting them.

The status statement shows Danish credits and debt items abroad on 1 January 1987.

The private sector includes the private business sector (with the exception of financial institutions) and private citizens. The net debt here was 125 billion kroner.

However the public sector's net foreign debt was even larger, a good 170 billion kroner.

The bank sector includes the foreign short-term credit and debt items of commercial banks, savings banks and the National Bank. Here the status table shows a net credit of 33.5 billion kroner, corresponding to the size of Denmark's foreign currency reserves at the end of 1986.

All in all Denmark's total foreign debt exceeded our total foreign credits by 262 billion kroner as of 1 January 1987. This net foreign debt represents 39 percent of our national product, corresponding to the value of 100 working days of production in this country.

Table 4. Denmark's Foreign Status Statement, 1 January 1987
(in millions of kroner)

<u>Sector</u>	<u>Credits</u>	<u>Debts</u>	<u>Net Debt</u>
Private sector	107,000	232,000	125,000
State and municipalities	8,500	179,000	170,500
Bank sector	159,500	126,000	- 33,500
Denmark as a whole	275,000	537,000	262,000

Source: Danish Bureau of Statistics

However since it is hard to export a long list of things (for example the major part of the public sector's production of services), it might be

more relevant to place foreign debt in relation to our total foreign exchange revenues. In 1986 this amounted to 250 billion kroner.

In other words we owe more to other countries today than the total of an entire year's foreign exchange revenues. The same is true of Iceland, Ireland, Israel, Greece, Portugal, Turkey and New Zealand--if that is any consolation.

Government Depending on Faith

Copenhagen BERLINGSKE TIDENDE in Danish 8 Mar 87 p 19

[Commentary by Frank Dahlgaard: "Government Now Relying on Faith, Hope and Incantations"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The government has run out of intervention mechanisms and is now trying to hold exports, stock prices and the krone up with the help of incantations.

Faith, hope and incantations.

That is the dubious cocktail the government is now testing in the area of economic policy. The government is in the painful situation of lacking a mechanism that can bring down the foreign deficit while at the same time reducing unemployment.

The government itself has rejected the devaluation instrument by stating time after time that the krone is fixed. In reality the government has linked its political credibility to the exchange rate of the krone.

Wage policy has been set aside with the approval of the new labor market contracts. The government does not really dare consider a suspension of the cuts in working hours that have been agreed on, a step recommended by the chief economic advisers.

And understandably enough the government does not want to resort to business policy either. Finance Minister Palle Simonsen has just declared that the business sector should not count on subsidies from the state just because some expensive wage agreements have been reached. The business sector's negotiators knew quite well what they were doing. As many as 94.5 percent of the employers recently voted to approve the contract agreement. So they will also have to pay the bill themselves without making a fuss about it.

But when neither devaluation, wage policy nor business policy can be used, what it really means is that all routes to an active improvement of our competitiveness in relation to other countries have been blocked off.

It was this sad fact that chief economic adviser Professor Christen Sorensen presented to the media on Friday.

The fact that the policy to improve competitiveness has failed means that we cannot produce our way out of the deficit problem. Thus the government's economic strategy has collapsed. Instead Denmark must try to economize, which means that unemployment will rise.

However the government's problem is that the unhappy course of cutting back is also blocked.

If income taxes are raised even more all the nonsocialist voters will be justified in feeling totally betrayed and they will tend to stay home on election day.

There will be the same political reaction if a new attempt is made to correct the economy by cutting interest deductions even more, as National Bank director Erik Hoffmeyer recommended.

If the government chooses instead to increase the value-added tax or excise taxes, the result will be more unreported outside work and even more border trade.

If an effort is made to cut down on public spending the entire jeering chorus of special interests will undoubtedly break loose--with TV News as the unfailing communicator of all the "excesses." The result would be a certain defeat for the government in the approaching Folketing election.

In other words, regardless of which savings course the government chooses, things will go wrong, either economically or politically.

The dilemma is that if the government does nothing, things will also go wrong.

An indebted population cannot get away with cutting work hours and increasing wages by 5-6 percent when production is stagnating and exports are declining.

A government cannot get away with declaring the exchange rate of the krone fixed and unshakable either--and at the same time give the green light to a higher inflation rate here than they have in other countries.

This kind of thing is indefensible and untrustworthy. It is immediately noted on the stock exchange in the form of declining prices and higher interest rates.

The employers obviously believed they could buy their way to lower interest rates by ensuring peace on the labor market with an expensive contract agreement. That was very naive.

It is true that the business sector averted the looming major labor conflict, but in return it has incurred both big wage cost increases and high interest expenses.

What is the government doing in this situation?

In the first place it is clinging to faith and hope.

Faith that productivity will rise in 1987 and offset the wage increases that have been agreed to, thus averting major price increases. And faith that companies, impressed by the economic slump, will reduce their profits, which could also counteract inflation.

The government's hope is that companies will tightly control wages, growth will be higher in other countries and there will be some good Gallup poll figures here in the spring.

In the second place the government, in its impotence, is resorting to the policy of incantations, so familiar from Anker Jorgensen's government days. One could also call it the policy of sorcery.

The policy consists of doing nothing at all about the problems but simply exorcising them, denying their existence or declaring that they will be solved in the course of a few years.

The government's uncrowned "sorcerors" are Prime Minister Poul Schluter and Economic Affairs Minister Anders Andersen. Apparently they have divided up the tasks so that Poul Schluter is trying to talk exports up while Anders Andersen is trying to talk consumption, imports and interest rates down.

The prime minister's incantation sounds something like this: "The government has improved the business sector's competitiveness and earnings with its recovery policy. Now it is time for companies to finish up the job by increasing exports. They will just have to roll up their sleeves and get going!"

The economic affairs minister's incantation to the public goes like this: "People must understand that consumption is too high. They must realize that things cannot go on like this. Belts must be tightened. The tax reform, the fall corrective and the low inflation have made saving money a good deal."

Anders Andersen's latest interest incantation addressed to the financial people on the stock exchange went like this: "The stock market should react positively when there is talk of an election, for an election will bring clarification. There is no reasonable justification for the high interest rates."

Talk About the Krone

However the biggest and most persistent incantations concern the exchange rate of the krone.

Some 3 months ago, when the krone began to come under pressure, Poul Schluter delivered the following incantation:

"No one should think that it is within the range of possibility that the outcome of the contract negotiations will lead to a devaluation. The krone is not threatened in any way. The very theoretical economists should look at West Germany and Switzerland once in a while. Who will deny that the German mark has done a good job and is a strong currency? There has been a revaluation of the German mark in the past year. Who will say that this has led to a catastrophic development in the West German economy? Things are in order in these countries. There is solidity."

This kind of rhetoric does not affect people on the stock market, however. They know as well as the prime minister does that in contrast to Denmark, West Germany and Switzerland have large foreign currency surpluses and very low inflation rates. Therefore a fixed exchange rate and revaluation policy is natural and credible in these countries and that is why interest rates in Switzerland and West Germany are around 5-6 percent instead of our 13-14 percent.

The government "sorcerors" have made a big effort in recent months to cajole and threaten interest and the foreign exchange deficit down and keep the krone up with words. But experience shows that incantations do not help. The economy cannot be coaxed.

The government "sorcerors" are well aware of that too.

But the problem is that they have placed themselves in an impossible situation. Therefore they are trying to win time with incantations while hoping for better Gallup figures and an economic boost from abroad.

Bank Economists Doubt Measures

Copenhagen AKTUELT in Danish 13 Mar 87 p 31

[Article by Erik Meier Carlsen: "Bank Economists Predict Continued Decline"; first paragraph is AKTUELT introduction]

[Text] There is no indication that the prime minister's last hope of turning the economic recession around will be fulfilled.

In the last 3 years Danish industry has had an incredibly poor productivity development and since the middle of 1986 productivity, or production per employee, has shown a declining tendency. This appears from an analysis made by Jyske Bank.

Hopes

Recently both Prime Minister Poul Schluter and Finance Minister Palle Simonsen have repeatedly pinned their hopes for Danish exports on

improved productivity. Wage and foreign exchange developments will reduce the competitiveness of Danish exports by 6-10 percent this year. The only thing that can immediately remedy this loss is an improvement in productivity, which has been weak in recent years. But the Jyske Bank analysis does not leave much hope that this will happen.

The bank's forecast points to a negative productivity development in 1987. The reason given for this is that productivity normally declines during a recession period and the Danish economy is currently in a slump: investments and employment are declining. That would normally mean a decline in productivity. Thus the fact that productivity has shown a weak development in the latest boom period means the situation has been abnormal. But the bank economists fear that the tendency in recent years toward a poor productivity development will now be intensified by the normal loss of productivity in a recession, which will make the situation very bad indeed.

Competitiveness Down

The problem is that productivity development is considerably better in the countries Denmark does business with. This means that the productivity development is pulling down the competitiveness of Danish industries. The same is true of the exchange rate development and the rate of wage increases.

There are many speculations about the reason for the abnormally poor productivity development.

Jyske Bank points to a weak development in innovations (utilizing new technology) and cites American studies to support this theory.

The bank also points out that small firms were especially successful during the latest upturn. As a rule small firms have a smaller capital apparatus than big ones and thus their success tends to lower total productivity.

Consumption

On the other hand the bank does not think the balance of payments is threatened by new consumption growth. A number of other bank economists, including National Bank director Hoffmeyer, feel consumption will rise as a result of the new contracts.

The bank thinks that real income will decline in 1987, that wage payments will be smaller than the consumer price increases that will result from the cost increases produced by the contracts.

Consumer pessimism (as measured by consumer expectation studies and resulting in more savings), rising real interest, declining home prices and low earnings in agriculture and self-employment will also lead to a decline in private consumption. The bank estimates that consumption will decline 4 percent in 1987 compared to 1986.

But although declining consumption is good for the balance of payments, it is bad for employment and the rest of the economy.

Prolonged Slump

If the Jyske Bank predictions are combined, we have a picture of a prolonged economic slump with no hope of long-range improvement in the foreign payment situation.

Economic Advisers' Chairman Comments

Copenhagen BORSENS NYHEDSMAGASIN in Danish 6 Mar 87 pp 50-51

[Interview with Professor Christen Sorensen, chairman of the executive committee of the Council of Economic Advisers, by Nils Enrum; date and place not given; first paragraph is BORSENS NYHEDSMAGASIN introduction]

[Text] Professor Christen Sorensen, chairman of the executive committee of the Council of Economic Advisers, has kept his assessment of the Danish economy to himself since the council issued its last report in November. Here he speaks out and explains his very pessimistic evaluation of the economic future.

Five years of improved competitiveness wiped out in a single year! That is how chief economic adviser Christen Sorensen sums up the consequences of the new wage agreements and the development of the exchange rate: "Compared to last year competitiveness will decline by 8-9 percent this year. What a fantastic accomplishment! It simply sets a historic record in creating future problems," Christen Sorensen said to BORSENS NYHEDSMAGASIN.

The council's executive committee will issue its next report in a few months. It will be a somber one. The November report was considered pessimistic enough, especially because the economic advisers predicted a marked rise in unemployment. However Christen Sorensen is now convinced that things will be considerably worse than predicted. The balance of payments deficit will not shrink to 4 billion kroner in 1988, the estimate for industrial exports must be adjusted downward, the interest level will probably remain high and the problem of unemployment promises to be more permanent than anticipated.

The pessimism is due in part to a disappointing development in foreign trade, but the main problem is the increase in business costs which with the new wage agreements and the latest exchange rate development appears to be much greater than any of the economic advisers had imagined.

"As a result of the reduction in work hours and the abolition of employer contributions alone, costs have risen by 3.5 percent compared to the situation at the end of 1986. Then there are the contracts which I believe will definitely lead to an hourly wage increase of at least 6 percent a year in the contract's first year, in other words the year that starts on

1 March. And I would certainly not deny that it might go over 7 percent. And finally if we add to this the exchange rate development, with a 4 percent revaluation of the krone as a result of devaluation in other countries, we come up to a total cost increase of at least 13.5 percent. If we compare that with 5 percent in other countries we arrive at a deterioration of 8-9 percent in our competitiveness. A very unpleasant historic record.

"In our May 1986 report we estimated that Danish competitiveness would have to improve by 2 percent a year for 10 years to arrive at a balanced economic situation, in other words a total improvement of 20 percent. So what lies in the cards now is anything but the economic policy that is needed. 'Unrealistic' is the only word I can use to describe people's perception of the situation. They have simply not grasped the big balance problems. And by 'they' I mean public employers, labor organizations and private employers.

"We have spoken out against high nominal wage increases because in the long run they will result in lower consumption possibilities than low nominal wage increases. We documented that in our May 1986 report. Good competitiveness provides a higher living standard in the long run. We can also see that by looking at two economic superpowers, Japan and West Germany. They have always stressed competitive considerations. Competitiveness is the alpha and omega when it comes to solving the enormous problems that are confronting Denmark. And in my opinion it is impossible to solve them without straightening this out. It is simply unrealistic.

"We will not achieve this in 1987, 1988 or 1989. We think it will take a long time. It is escapism to believe that this can be accomplished in a hurry. I feel the only solution is some three-way negotiations in which the government and the labor market factions agree that no matter what happens they are determined not to allow competitiveness to deteriorate.

"Today I regret that the recession we are now in the middle of was not more apparent to us a year ago. And obviously I feel a certain degree of responsibility for the fact that we underestimated the strength of the market trend in December 1985. Now we must note that the sum of the two main problems, the balance of payments deficit and unemployment, is becoming much worse."

[Question] If 5 years of progress in competitiveness have now been wiped out, what other possibilities do the politicians have?

[Answer] If one cannot solve the problem of competitiveness, one must choose between a rock and a hard place, between unemployment and the balance of payments deficit. There is no alternative. Of course one can start some business promotion, but that is a long-term effort, the effects are uncertain and why should we suddenly be better at promoting business than other countries are?

[Question] Is there a free choice between the two areas?

[Answer] Theoretically, yes. But a choice can have very unpleasant consequences. The politicians will have less and less room to maneuver in due to our foreign debt and big interest payments. Twenty percent of our industrial exports already go to pay interest on foreign debts. And we must also bear in mind that industrial exports themselves require imports. Therefore it is incredibly difficult to get away from the high figures. Of course Denmark cannot be compared to a Latin American country, but it will be increasingly difficult to change course the longer we put it off. So in reality I do not think we have much choice. At any rate not if we want to avoid a very big interest increase in this country with the investment crisis that would go with it.

[Question] Why is interest moving up--contrary to most forecasts?

[Answer] The most obvious explanation is that the confidence people once had in the exchange rate of the krone has been shaken. Because of the developments in the balance of payments and competitiveness. For this reason achieving greater understanding about the problems confronting Denmark is an urgent necessity.

[Question] In November the economic advisers predicted that industrial exports would go up by 3 percent. Should that now read minus 3 percent?

[Answer] Yes, if growth in other countries is 2 percent lower than we anticipated. But we did not count on that so I am unwilling to change the figure now. However it is clear that the export estimate will be adjusted downward in the next report--and I hope it will not be as low as minus 3 percent.

[Question] What other figures will be affected by the decrease in competitiveness and foreign growth?

[Answer] I think the unemployment problem will be larger and more permanent than we anticipated in November. Many people said after the contracts that now consumption will explode in 1987.

I do not share that opinion. Of course there will be a real wage improvement but at the same time we expect a decline in the consumption ratio. We do not think people will spend as much of their income this year as they did in 1986. In addition we know that the full impact of the economic interventions that were implemented in 1986 will not be felt until 1987. And with the indications we have now, it is hard for me to imagine that Danish interest rates will decline. For that reason I doubt there will be as much capital gain in 1987. On the contrary, it could go the other way.

Our forecast of a decline of 10 percent in business investments was clearly lower than other forecasts and I have no basis for revising the figure now. If we have a serious drop in investments it is obvious that it would improve the balance of payments in the short run and affect employment instead.

[Question] But will the balance of payments deficit be only 15 billion kroner this year, as you predicted in the November report?

[Answer] Now we all know that balance of payments forecasts are very uncertain (plus or minus 10 billion kroner). I have no reason to change the figure at this time and I am now more uncertain about the estimate for 1988. The balance of payments will obviously be worse and I cannot see any improvement from 1987 to 1988. So if I had to say something definite now, I would say the figures for the 2 years will be roughly the same.

But I do not think it is important whether we write minus 15 or minus 20 billion kroner in 1987. The important thing is the marked deterioration in competitiveness which unmistakably indicates that trouble lies ahead.

6578

CSO: 3613/53

NEW DEI SALARY SCALE TO SERVE AS 'PILOT MODEL'

Athens TO VIMA in Greek 8 Mar 87 p 7

[Article by N. Khasapopoulos]

[Text] The new salary scale, soon to be put into effect by the Public Power Corporation [DEI] for its 38,000 employees, introduces radical changes in the way employee salaries are being calculated. The new pay schedule will serve as a "pilot model" for restructuring the pay scales for all Public Firms and Organizations [DEKO].

The main features of the new salary scale include a provision that the employees' pay will not depend any more on length of service (as heretofore) but on their efficiency. At the same time, dozens of allowances and benefits applying to DEI employees are abolished, while only four new allowances are established and will apply to certain categories of employees:

--The "increased responsibility allowance," which can reach 50 percent of the basic salary and which will be given for a specific period of time to employees assigned to jobs of increased responsibility.

--The "local allowance," which will not exceed 20 percent of the basic salary, and which will be given to certain categories of employees.

--The "specialized scientific personnel allowance," which may reach to 50 percent of the basic salary designed to attract to DEI new specialized scientific personnel, and

--The "unhealthy or hazardous work allowance," which is established at 6 percent of the basic salary and will be given to unhealthy or hazardous jobs.

In addition to the above, the following are retained: the family allowance, leave of absence allowance, Christmas and Easter bonuses.

If the salary scale proposed by DEI is eventually implemented, then all DEKO employees (that is, employees of Olympic Airways, Greek Telecommunications Organization, Railways Organization of Greece, Urban Communications Organization, Greek Posts, etc.) will be compensated in the same way, while their pay increases and promotions will depend on their efficiency.

Another innovation introduced by the new salary scale is that the increasing efficiency of a particular service will be taken into account in evaluating its personnel, while employees scheduled for promotion will be placed in five categories depending on their efficiency. Their placement into five categories will follow a certain percentage of distribution of the personnel being evaluated. More importantly, an employee's evaluation--for establishing whether he will be promoted or not--will be done in the future by panels directly familiar with the efficiency of the employee.

The personnel (depending on the category) will be then subdivided into separate pay groups and for each group a new basic salary will be set. The relationship between the initial basic salaries and the various pay groups will remain constant in the future.

The new measure provides for the formal abolition of specialties since under the new rules the executive will have the authority to use employees in any specialty it sees fit provided the employee has the necessary qualifications.

The new salary scale, which provides for special compensation to those employees given increased responsibilities (through the new allowance), will treat all employees equally, since all will have the opportunity for development and increased compensation.

Until now an employee's promotion (in pay or in rank) is determined on the basis of performance ratings written by three successive supervisors of the employee being considered for promotion. This system was established in 1966 and is based on the principle of physical classification of employees in terms of qualitative abilities and qualifications. Its correct implementation was designed to lead to the following distribution: Exceptional, 7 percent; outstanding, 23 percent; adequate, 40 percent; fair, 23 percent; and inadequate, 7 percent.

In practice, however, the supervisors who write the performance ratings want to have good relations with their subordinates and usually act emotionally paying no attention to the employee's actual efficiency. The judgment of the supervisors is often flexible.

According to DEI data, one year's evaluation ratings give over 700 points to 80 percent of cases, i.e., 80 percent are evaluated as "outstanding" while normally no more than 30 percent should be in this category! If we accept these evaluations as correct we will have to conclude that the most capable Greeks are working for DEI.

We may add that the most basic and important part of an employee's compensation is given for length of service, in other words with no relation to his efficiency. The employee soon reaches the end of the salary scale and after that he has no incentive, no motive, since there is no relation between salary and efficiency.

For example, the employee who receives in his performance rating 650 points and the one who receives 850 are both being promoted and both receive the same increase.

All this changes under the new pay schedule since an employee's pay increases will depend directly on his efficiency. Employees will be evaluated during the first year if they should receive an increase. This new procedure is called "Increase Due to Efficiency." Based on their record, those considered for promotion will be placed in five special categories which correspond to qualitative distinctions. Each category is higher than the preceding one ($I_1, I_2 \dots I_5$). There is also a sixth category (I_0) for those who are not to be promoted.

Finally, another innovation is the "group efficiency." This means that if an employee belongs to a section distinguished for its efficiency, his chances of being placed in I_5 --with highest potential for pay rise--improve because the number of I_5 positions assigned to the group increases. The new pay schedule introduces "revolutionary procedures" since now employees can be promoted even when no vacancies exist.

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CSO: 3521/97

BANK OF GREECE LOANS FOR FOREIGN DEBT

Athens I KATHIMERINI in Greek 5 Mar 87 p 9

[Excerpt] Speaking to the Union of Foreign Correspondents on the monetary policy, Bank of Greece President Dim. Khalkias said that the country's foreign debt in 1986 reached 16,850 million dollars compared to 15,220 million at the end of 1985. He added that significant as this rise is it is due at least by half to the devaluation of the dollar and that, by contrast, as a percent of the Gross National Product the foreign debt in 1985 was 46.5 percent and dropped to 42.3 percent in 1986.

As concerns the amounts we have to pay for debt servicing, Khalkias gave the following figures for the years 1987 to 1990 (in million dollars): 1987: 1,500; 1988: 2,000; 1989: 1,800; 1990: 850. He said that these amounts are high but assuming that the balance of payments will improve and that the country's loan needs this year will be low or even be eliminated, no problem will arise as concerns debt servicing. What is important, therefore, is to improve the balance of payments in order for the net inflow of capital to cover its deficit.

If things develop this way, Khalkias said, then the financing of the debt service will pose no problem. The country's credit standing has improved and each day the Bank of Greece receives proposals for loans under favorable terms. He added that since the international money market situation is satisfactory, the Bank of Greece plans to borrow this year more than is needed to cover the balance deficit in order to pay in advance debt servicing for coming years. In other words, the bank's policy in this sector is to postpone until after 1990 paying off certain debts for the next few years and take advantage of the present situation to improve the terms for borrowing.

Net Borrowing

Specifically, Khalkias said that in 1986 net borrowing reached 1,540 [sic] million dollars. Of this amount, 733 million was used to cover the balance deficit, 328 million to increase our exchange reserves, and 379 million dollars to decrease short-term borrowing.

He added that this year we will need 2,750 million dollars if the government's target for reducing the balance of payments' deficit to 1,250 million dollars

is achieved and provided that the debt services we must pay do not exceed 1,500 million dollars. If, however, the net capital flow reaches 1,200 million dollars as anticipated, then the need for borrowing will fluctuate between 1,600 and 1,700 million dollars. This means that, provided the debt services are paid, foreign debt will not surpass 200 million dollars at the end of 1987 and therefore, we will be gradually advancing toward stabilization of our foreign debt.

This Year's Balance of Payments

As concerns the outlook for this year's balance of payments, Khalkias said that conditions are favorable and that he is optimistic. As he said, the demand is low and limiting domestic expenditures will cause a decrease in imports and an improvement in exports. The same will happen to tourism and to the receipts from EEC.

Khalkias pointed out that the 1987 balance of payments will be better and that it will be easier to borrow more in order to pay in advance the debt services of the next few years.

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CSO: 3521/97

TWO-YEAR PROJECTIONS SHOW LIVING STANDARD'S DROP, EMPLOYMENT

Athens I KATHIMERINI in Greek 7 Mar 87 pp 1, 3

[Text] The Greek economy has been entrapped into conditions of protracted recession and during the past 2 years (1986-87) of the stabilization program has showed zero or negative growth rates.

This comes out of what National Economy Minister K. Simitis said yesterday with regard to the results of 1986 and the prospects for 1987, when he disclosed that this year the GNP will be either unchanged or reduced.

The recession is hurting most seriously the working people whose standard of living will show a decline by 3 percent in 1987 in addition to the 8 percent decline of 1986. According to assessments of foreign agencies, unemployment will also increase this year.

In presenting the government assessments for the economy in 1987, Simitis underlined that the Greek economy will be affected this year by implementation of the stabilization program. "We have announced our target for 1987 and we will take all necessary steps to succeed."

Specifically, he said that if the rate of inflation exceeds the 10 percent target, the government will not hesitate to take measures to hold prices down. As Simitis said, the main factors helping economic improvement in 1987 will be exports and private investments which are expected to go up, in contrast to other economic elements which will be in decline.

Private Consumption

More specifically, the data disclosed by Simitis indicate the following:

—In 1987, provided the stability achieved in the market place after implementation of the Added Value Tax [FPA] will be offset by other external factors, a slight decline in private consumption, in constant prices, is expected. Specifically, private consumption will go down by 1.2 percent while in 1986 it declined by only 0.5 percent.

The decline in spendable income, in constant prices, which will result from the tight incomes policy, will contribute to the decline in consumption.

Specifically, spendable income in 1987 will increase in current prices by 10 to 11 percent, which means that in constant prices it will decline by 2 to 3 percent.

With regard to income of the working people, it will also decline by 2 to 3 percent compared to an 8 percent decline in 1986.

--In 1987 public consumption will remain unchanged as it happened last year. Simitis said that this is the only time since the decade of the sixties that public consumption will not increase for 2 consecutive years.

--Private investments will increase by 2 percent in 1987 while in 1986 they showed a 5.9 percent rise. In 1987 their composition will improve so that not all increases will come from construction. As Simitis said, improvement in business gains together with the decline in the rate of inflation are expected to affect favorably the business climate. This is considered sufficient for a modest recovery in private investments in manufacturing.

--Public investments will decline by 5 percent in 1987 while in 1986 they declined by 19.8 percent.

--Exports of goods and services will rise by 5.5 percent while imports will decline by 1.5 percent.

Simitis repeated that the government target for reducing the deficit of current balance of payments to 1,250 million dollars and the public sector deficit by 4 percentage points. He added that to achieve these goals it is necessary to implement the monetary and credit policies without deviation.

--Inflation at the end of 1987 will be held at 10 percent. As Simitis said, "developments during the first 2 months are encouraging, an indication that the target is feasible provided we are wise and careful."

--Simitis did not make any predictions concerning unemployment. He said, however, that the government's basic objective is that the number of unemployed will not increase. According to a study by the National Statistical Service, the number of unemployed during the first half of 1986 was 289,000 or 7.5 percent of the labor force.

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CSO: 3521/97

CENTRAL PLANNING BUREAU ISSUES REPORT ON ECONOMIC TRENDS

Lower Export Growth Rate Seen

Rotterdam NRC HANDELSBLAD in Dutch 9 Mar 87 p 14

[Article by the NRC HANDELSBLAD's socioeconomic staff: "Central Planning Bureau Expects Drop in Netherlands Exports--Due to Dollar Exchange Rate and Oil Prices"]

[Text] The Hague, 9 Mar--According to the figures presented today by the Central Planning Bureau, the Netherlands' export position will deteriorate this year. Exports will increase by only 2 percent, while competing countries will increase their exports by 4 percent. This deterioration in the Netherlands' competitive position will continue for several more years.

Netherlands economic developments are completely dominated by the falling exchange rate of the dollar and by the drop in oil prices. Because of these two factors, consumer purchasing power will increase but exporters will face much greater competition. The swing over to the domestic market which began last year is likely to continue beyond this year, according to the Planning Bureau.

The Planning Bureau based its calculations on an exchange rate of \$1.00 = 2 guilders. If the dollar falls further, the problems will increase, the Planning Bureau warns. "More than ever" policy needs to aim at eliminating and avoiding rigidities in wages and prices. Only continuing moderation on these two points will make it possible to guarantee the "competitive position and the level of profitability achieved to date," the Planning Bureau says.

Business investment will increase by less than half as much as last year, with a 5 percent rise compared to 11 percent last year. Private consumption will increase by over 2.5 percent, compared to more than 3 percent last year. Prices will fall by 1.5 percent and the purchasing power of the modal worker in business (with a gross annual income of around 40,000 guilders) will increase by 3 percent this year, after a rise of 3.5 percent in 1986. The national deficit will rise by 0.9 percent this year and at 1 percent real national income will grow half as fast as last year.

The Netherlands will lose some of its market share. Wage costs per unit will remain stable but in other countries they will fall by 5 percent. The current accounts surplus in the balance of payments will drop from 12.1 billion guilders in 1986 to 6 billion guilders this year.

Last year employment increased by almost 65,000 jobs. Because more and more jobs are being converted to part-time positions, this translated into jobs for 120,000 more people in 1986. In the "Centraal Economisch Plan", the Planning Bureau points out that the growth rate for part-time work threatens to drop.

Editorial on Measures

Rotterdam NRC HANDELSBLAD in Dutch 9 Mar 87 p 9

[Editorial: "The Netherlands Economy"]

[Text] The picture of the Netherlands economy presented in the "Centraal Economisch Plan" (CEP) which was published today gives cause for concern. After 1986 was already a disappointing year for exports, the Netherlands' competitive position appears to be deteriorating even further. The depreciation of the dollar, along with the resulting increase in oil prices and appreciation of the guilder, will have a definite effect in 1987. Growth in employment will be disappointing. Growth in the Netherlands economy will be led by the domestic sector, where production, investments, and employment will increase as a result of the improvement in consumer purchasing power resulting from the lower import prices.

This week the Second Chamber of Parliament debated with the cabinet on measures for 1987. It now appears that the debate will result only in a number of cyclical measures designed to combat unemployment. These will include a temporary increase in public sector capital spending. It is somewhat ironic that the government is reaching for this tool after successive cabinets have for years made a very large portion of their spending cuts in capital spending.

Although these measures are understandable and justified, given the fact that the treasury and social funds are in a more favorable position than had been estimated, they are palliatives that will not solve the economy's structural problems. The fact is that the Netherlands' competitive position continues to be weak because of relatively high wage costs. A further decrease in wage costs should therefore occupy a central place in the nation's policy. The ground that has been won in international markets since 1982 through consistent pay moderation is now in danger of being lost because the wage costs of our closest competitors are dropping sharply. There are no indications that this is a temporary phenomenon. For that reason a structural approach is necessary. The new emphasis on the Netherlands economy's great dependence on other countries must not lead us to sit back and wait for other countries—such as West Germany, the Netherlands' largest trading partner—to begin stimulating their economy, so that the Netherlands can take advantage of that. The very fact that the Netherlands enjoys a free ride on the world economy makes it possible for us to carry out a policy of our own, as the CPB [Central Planning Bureau] noted last year in a review of the years since 1972.

This policy must be introduced this year but it will show results only in later years.

The three main choices are: pay moderation, reducing taxes and/or social premiums, moving from direct to indirect taxation—or some combination of these.

The CPB prefers the first possibility. The CEP sees the necessity for a policy aimed "at avoiding or eliminating nominal rigidities." In plain language, gross pay must stay constant or even decline. Export industries can pass on the reduced wage costs in their export prices. In that case an equilibrium in the economy will in time arise again of its own accord. In connection with this, CPB Director De Ridder raises the question of whether pay moderation should not be accompanied by reductions in taxes and social premiums for workers. The CPB accepts that if this is not done, the domestic sector will be weakened again. The equilibrium that arises will be accompanied by negative consequences for employment in the domestic sector because consumers will have less to spend. That will not increase the unions' enthusiasm to cooperate in voluntary pay moderation. With this argument De Ridder one-sidedly puts responsibility for the proper operation of the economy on workers, whereas in fact it must be the joint responsibility of government, employers, and workers. This means that the cabinet cannot go into the tripartite spring consultations with empty hands if it wishes to achieve its hope that the CAO [Collective Labor Agreement] partners not agree on contract pay raises in their new negotiations. Employers will have to demonstrate their good will through more extensive in-house measures to expand training and employment.

Once again the cabinet will have to consider whether to lower the deficit or reduce the burden of taxes and social premiums. Some caution is called for. The CPB's figures suggest that the deficit will turn out better than expected in 1987 but it is not clear whether that will be true of 1988 as well. It seems, however, that there will be a sharp increase in taxes and premiums this year. According to a January letter from Finance Minister Ruting to the cabinet, it appears that this will continue for several years.

Based on the governing coalition's policy agreement, which declares that the tax and premium burden must not rise, this would call for reducing taxes and premiums. And Minister of Economic Affairs De Korte recently hinted at this. The criterion of judgement must be that the measures adopted will promote growth, both in the short and in the long term. One problem is that it is still too early in the year for the cabinet to decide on possible tax and premium reductions for 1988 and later. The cabinet certainly could guarantee to maintain purchasing power in exchange for pay moderation.

In addition, the cabinet could lower labor costs in a fiscally neutral manner by moving from direct taxes (income taxes) to indirect (VAT). However, this could have a negative effect on consumption and therefore on employment. There is another fiscally neutral measure which lacks this disadvantage: replacing WIR [Investment Account Act] investment premiums with a reduction in social premiums, which would make labor cheaper in relation to capital. One obvious possibility would be to reduce the AWEZ [General Act on Extraordinary

Health Costs] premium, which is now paid entirely by the employer. Another possibility would be to adopt some combination reducing premiums both for employers and for workers.

Employers are not exactly eager for further reductions in the WIR. That is equally true of some cabinet members, including Minister of Economic Affairs De Korte. However, in the current economic situation their objections are not entirely in tune with reality.

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CSO: 3614/52

REPRESENTATIVE VIEWS RELATIONSHIP, PROBLEMS WITH EEC

Zurich DIE WELTWOCHEN in German 12 Mar 87 p 37

[Article by Felix Mueller: "The Role Played by Midget Switzerland at the Court of the Giants—What Carlo Jagmetti, Our Outgoing Mission Chief in Brussels, Thinks about Our Relationship to the EEC"]

[Excerpt] For years, the issue which dominated our foreign policy debate was whether Switzerland would join the United Nations or not. But at the same time, things have been moving along in Europe in ways which pose a far greater challenge to Switzerland. What is the nature of that challenge in view of the increasing size and growing strength of the EEC? Carlo Jagmetti, our outgoing mission chief in Brussels, presents a resume of his 5 years on the job.

Jagmetti makes use of a revealing image in assessing his job. "Given the choice of attending a lecture on the global implications of disarmament and participating in a meeting on the three-stage system for green asparagus," he says, "I would opt for the asparagus. Without losing sight of the big picture, I would say that Switzerland's real interests are tied up with the smaller agenda."

The EEC would seem to be as good a place as any for someone with Jagmetti's outlook because the political sermons there are reserved for Sundays whereas weekdays are given over to tense bargaining sessions that are likely to deal with export quotas for "corset stays, dresses and dressmakers' accessories" to Spain. Individually, these issues may well seem monumentally insignificant but added together they have resulted in a process which is changing the face of Europe. Jagmetti is convinced of one thing. "One day," he says, "Europe will be unified." From his desk, by turning his head slightly, Jagmetti can easily see the motor powering this development, i.e. EEC's Brussels headquarters, just a stone's throw away. The Swiss mission is located in a faceless modern office building. Jagmetti has tried to liven the place up with modern works of art from the Swiss government holdings which no one else in Bern seems to have wanted. At EEC headquarters, 15,000 officials are toiling away day in, day out at moving the idea of a unified a step closer to reality.

And what about Switzerland? How does one feel as the representative of Lilliput at the court of the giants? "Not bad at all," Jagmetti says with a laugh. "One of the advantages we have is that we can talk to the

representatives of the big European powers each in their own language. From the psychological point of view, this makes our work a great deal easier. And for another thing, one tends to forget that Switzerland is the second biggest customer and the fourth biggest supplier of the European Community. For that reason, we are a negotiating partner of respectable strength."

These very figures are an indication of how close the relationship between Switzerland and the world's biggest trading power is—a relationship based on a wide-ranging network of far more than 100 individual agreements. During his time in office, Jagmetti put his own signature on a good 50 such agreements. To start with, this means that Switzerland is not simply faced with closed doors in Brussels. Wherever and whenever Switzerland has knocked, the doors have opened—although in some instances only after some delay and a great deal of creaking. But on the other hand, Switzerland has long since gone the route of sub rosa integration into EEC. Interestingly enough, the politicians seem hardly to have noticed, even to this day. The driving force was private enterprise which has had a direct line to Brussels for some time via two specialized agencies located in Bern. Helmut Hubacher has been critical of this situation. "We have no European policy in parliament," he said, "but at the same time we carry on lengthy debates about South Africa and Nicaragua."

Pierre Aubert, Tourist

Nevertheless, Switzerland's present situation is perfectly acceptable. She gets what she wants without having to do anything she prefers not to do. Is this another way of saying that Switzerland is getting something of a free ride on the European bandwagon? "That aura does cling to us to some extent," Jagmetti admits. "The smaller EEC nations, like the Benelux countries for example, have to make substantial sacrifices to enjoy the advantages of EEC membership and they sometimes feel that we are having our cake and eating it, too." Jagmetti therefore warns that the day may come when Switzerland will no longer be able to eat a la carte and may be forced to adopt a broader-based negotiating posture, e.g. access to EEC research projects in exchange for concessions in the agricultural sector.

But things have not progressed this far yet. Switzerland has been able to negotiate its role in EEC development to this day without having to make major concessions in exchange. Under these circumstances, there was no way in which a genuine commitment to EEC could develop. What we have instead is a simplistic perception of the Community—of fruitless marathon meetings held at the base of the mountain of butter.

Not that this cliché is entirely wrong as far as EEC reality is concerned. But in Jagmetti's view, "there is a tendency to dramatize the problems. The fact is that constant progress is being made in integration, whether it be jurisprudence, economics or research."

The most telling evidence for this trend is EEC's expansion southward and the stated intent to make the community-wide free market a reality by 1992. These two thunderclaps have served to rouse EFTA from its lethargy. Previously, each EFTA member (with Switzerland leading the way) tried its luck with the EEC individually. But during the past few years, there has been a greater emphasis

on presenting a common front in order to build up a more advantageous negotiating position vis-a-vis the bigger organization. In 1984, the first joint EEC-EFTA ministerial meeting was held in Luxembourg which culminated in an ambitious negotiating program between the two organizations for the future. Jagmetti, however, warns against overestimating this negotiating platform. EFTA, which makes up a scant seven percent of our export trade at this stage, is an extremely heterogeneous organization to which nations with completely different interests belong. "On one side, we have Switzerland and Finland for both of which EEC membership is out of the question," Jagmetti says, "and on the other, we have a country such as Norway which is actively seeking to join the Community. Naturally enough, the basis for defining a common policy is somewhat limited under these circumstances."

In the end, everyone is out for himself. Because of her close ties to the EEC area, this factor affects Switzerland more directly than Finland for example. Since Switzerland is in no position to join the EEC at this time, as Federal Council member Jean-Pascal Delamuraz recently reaffirmed before the parliament, she is faced with the problem of being unable to participate in debates or to determine policy within the EEC framework. Primarily for economic reasons, therefore, she faces the increased threat of having to adhere to EEC standards even while maintaining a mere semblance of sovereignty. This view is fully shared by Jagmetti. "The disenfranchisement of Switzerland is not just a fact," he says. "Chances are things will soon get worse—above all in the area of technical norms and jurisprudence." For this reason, Jagmetti is even more surprised by the lack of awareness about European political issues in Switzerland. "Here in Brussels," he says, "I came to realize that our country's preoccupation with itself keeps growing and that it is turning its gaze inward more and more."

In a very, very gingerly fashion the question is being raised here and there these days as to whether the present ways and means of doing things will be adequate to the solution of the problems of the future. The responses given to these questions have, of course, been reassuring. Jagmetti does not entirely agree with this lack of concern. The fact that everything has worked out well up to now should not be taken as a guarantee that things will work out well in the future. "But Bern is not even thinking in European terms," he says. "Political positions on this issue were not even developed until the southward expansion of EEC became a fact and the firm plans for a Europe-wide market were announced. I must admit that I am sometimes appalled by the lack of knowledge about European matters—even in my own ministry."

In his farewell speech to the Swiss Chamber of Commerce in Belgium, Jagmetti recently spoke of the need for a certain amount of "leadership" by the government. Precious little of it can be felt in Bern, however. All the members of the Federal Council dabble in European policy to some extent but there seems to be no genuine coordination of their activities. The only member of the government who has no business interfering with European policy is the foreign minister. In accordance with a tacit agreement on the division of responsibilities, his only job is to deal with the exotic nations. As a consequence, Pierre Aubert has only paid unofficial visits to Brussels thus far, more or less like a tourist.

Until now, Switzerland's relations with the EEC have been considered the exclusive province of economic policy. But the process of European integration is steadily expanding and is beginning to touch on matters previously reserved for classical politics, e.g. in the field of jurisprudence, personal travel and security policy. Under the circumstances, it would not be too much of an exaggeration to refer to the "European challenge" as the central political issue of the years ahead. At some point, Switzerland will have to work out a political response to this issue. His 4 1/2 years in Brussels have convinced Jagmetti of the fact that we will be forced to make major compromises in the near term unless we wish to risk being left out of the European integration process. "We neither wish to join," Jagmetti says, "nor do we wish to be forced into complete isolation. What we are looking for in other words is a middle course: to maintain our independence while collaborating as closely as possible with the EEC." The question is whether our diplomats will be able to square this particular circle.

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CSO: 3620/178

EFFECTIVE RESERVE FORCE NEEDS ASSIGNMENT, TRAINING OVERHAUL

Bonn TRUPPENPRAXIS in German Jan 87 pp 24-28

[Article by Lt Col Manfred Engelhardt: "Reservist Concept for the 1990's. Thoughts on Outline Conditions and Objectives." First paragraph is TRUPPENPRAXIS introduction.]

[Text] "The state of our defense is democratically legitimized. It requires personal readiness for service. Whoever performs it must feel sustained by the general conviction that for the sake of our freedom it is necessary to take not only burdens in the form of paying taxes upon oneself, but also personal service for the community." -- Richard von Weizsaecker

Introduction

The battles of Jena and Auerstedt, in which almost the entire Prussian field army was crushed, took place 180 years this October.

This defeat was cause for the Prussian army to thoroughly contemplate matters anew, because of the superiority of Napoleon's army which was founded on new kinds of principles. Only a few months before, Quartermaster General Scharnhorst, evaluating the findings on the internal state of affairs of the armies of France and Prussia, had forwarded a memorandum to Adjutant General von Kleist and the Duke of Braunschweig in April of 1806, in which he pointed out that at all times in war not only were physical forces decisive, but that moral forces were just as important.

Therefore, in addition to a percentage increase of the armed forces, he also proposed a national militia in order to employ its inherent forces in a defensive war as a kind of counterbalance to a quantitatively superior aggressor who is conducting a war of subjugation.

He figured that every 15th soul was a martial man (with 56.5 million German federal citizens, that would equate to 3.76 million men fit for military service) and deemed that every citizen, with no exceptions, would have to serve.

His provisional draft of 31 August 1807 for calling up a reserve army then reads in Art. 1: "All inhabitants of the state are born defenders of the

same." And in art. 11: "The officers of the reserve army and the standing army have the same rank, the same privileges." On this foundation was built the works of the military organizing commission, which in various drafts sought to bring the principle of universal military duty into shape.

A political program was involved at the same time. The aim was a citizen army corresponding to local self-administration in the spirit of Stein. But this revolutionary new creation left the Prussian army of the line existing as the formation of the poorer classes as before. The juxtaposition of two army formations was, however, a compromise.

A uniform army founded on universal conscription, it could have unleashed forces which would have weakened military combat effectiveness and carried the revolution right into the midst of the citadel of Prussia.

So Scharnhorst's actual high goal was not reached, in particular no longer since the standing army, which hardly changed its character as a peasant army with a noble officers corps up to the middle of the century, again became more and more isolated from the rest of the nation with the breakdown of the reform policy and was made the backbone of the Prussian royal and noble state by the reforms after 1859.

The Buildup of the Bundeswehr

The Federal Republic of Germany got back large parts of its sovereignty with the reactivation of national German armed forces. Although the state of Prussia "ceased to exist" in 1945, the "revolutionary" body of thought of the shapers of the Prussian army was nevertheless transferred in turn to the internal structure of the new German armed forces and their integration into the democratic state.

Then the buildup of the Bundeswehr as a compulsory military service army and its incorporation into the Western defense alliance--political decisions which were made because of the Soviet conventional and nuclear threat potential--lay down the upper limits of the peacetime and defense level in the framework of an allocation of responsibilities within NATO and outlined the following missions:

- to keep present forces ready for immediate reaction;
- to activate troops for tasks to be observed as a national responsibility
- to ensure growth to meet the level of defense;
- to train soldiers for their missions; and
- to integrate the Bundeswehr into the social environment.

The number and status of the reservists, as well as their application in the Bundeswehr, were sketched out by this. In 1958 it was still the concern of the first chief of staff of the Bundeswehr to entrust the commanding officers with integrating the members of the younger generation of veterans, besides

taking care of the conscripts who had just been separated from service, in order to ensure the Bundeswehr's quicker growth to meet the defense level; in 1961, with the growing numbers of reservists trained in the Bundeswehr, an independent "organization for reservists" was sought in order to preserve their ties with the armed forces, and the "Association of Reservists of the German Bundeswehr," a registered society founded in 1960, was called on to take care of the reservists.

The first White Paper in 1970 (No. 83 ff.) also already dealt with the role of the reservists in the Bundeswehr. The switchover from the strategy of massive retaliation, in which the reservists had only a subordinate role, to the strategy of flexible reaction, which was to a considerable extent based on reservists, required a concept for using and deploying reservists. The result was the reservist concept of 1971.

This concept was a reflection of its time. Retaining 18-month compulsory military service, the number of reservists--about 1.7 million in 1971--was projected at about 3.6 million in late 1983. It is ascertained that "the purpose of universal military service is not primarily the training of a large inventory of reserves. Rather, it is for preserving a sufficient peacetime readiness of the armed forces at the least possible expense, as well as expanding the Bundeswehr's peacetime level into the level of defense in the event of mobilization."

The availability of reservists for mobilization backup was thus at this period of time already considerably greater than the need of the armed forces; nevertheless, there was a lack of qualified command and functional personnel (specialists)--a deficiency which the Bundeswehr has not been able to remove even with the reserve concept of 1980 which is still valid today.

Causes for an Inadequate Qualitative Satisfaction of Needs

A decisive criterion for the problems in ensuring qualitatively adequate satisfaction in personnel needs is the fact that the defense structure is not the linearly extended reflection of peacetime structure. Thus, the factors of peacetime level to defense level, from which mobilization dependence results, only come up to the following within the military service components:

Army	1:3	(345,000: 1,055,00)
Air Force	1:2	(111,000: 217,000)
Navy:	1:1.6	(39,000: 64,000)

In the case of the army, there are additional component-specific factors within the branches, which range from 1:1.3 to about 1:27.

The following principle can be deduced from that: The greater the operational readiness level within a service component/branch, the greater the "production" of reservists growing out of basic military service/military service based on voluntary commitment, but at the same time the less the need for alert [status] reservists.

This principle, for example, results in the fact that the exhausting of the reservist potential within the meaning of a mobilization order is very different within the service rank groups specific to the military component. In the case of the rank and file, this leads to the fact that in the army only every third available reservist is included in mobilization plans; in the air force only about every fifth and in the navy only every seventh (in 1985).

The 1970 White Paper, No. 89, states that "in order to assure the credibility of military service in the democratic community, it is imperative to free the state from the accusation of inequity in conscription;" but also: "no system creates absolute equity in conscription." (No. 92)

If one is aware that the shortening of basic military service from 18 to 15 months in the early 1970's underlined the political will of the federal government to bring about greater equity in conscription and thereby call up conscripts of the heavy birth years into basic military service to as great an extent as possible, then the lengthening of basic military service starting in 1989 is also primarily to be attributed to the political aim of equity in conscription to the greatest extent possible while retaining the capability to react, though it is also meant to bring about equity in conscription between the draftees of the years with a low birth rate and an increasing utilization of reservists. The Bundeswehr has to create the conceptional, structural and organizational requisites in order to attain this aim within the armed forces.

Outline Conditions of a New Comprehensive Reservist Concept

The federal government's decision that "the Bundeswehr's operational fulfillment of tasks and basic structure" are remaining "unchanged" was made on 17 October. The current peacetime-level organization is to be restructured starting in 1990 in a sliding transition up to 1995 (Figure 1) to

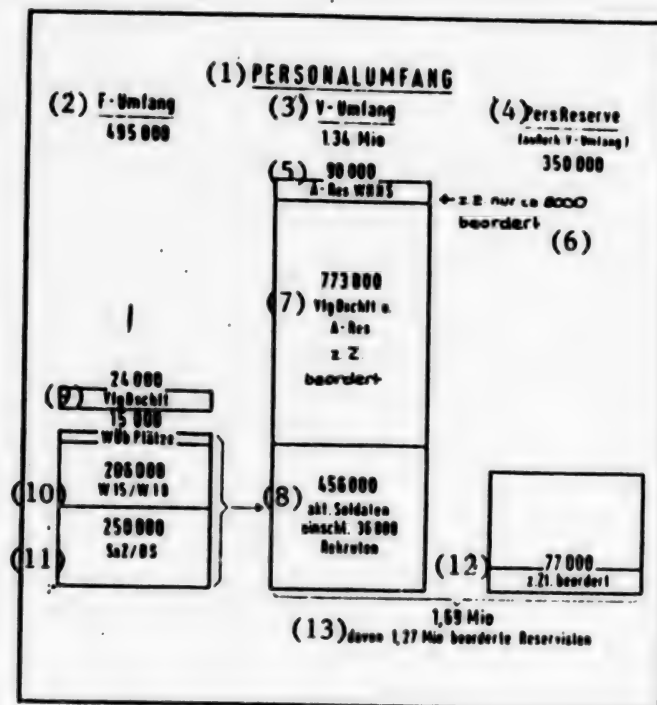
- 456,000 active soldiers
- 15,000 military training positions
- 24,000 reservists in an improved state of standby readiness.

At the same time this also means that in contrast to the 850,000 reservists ordered up in 1985 in a state of stand-by readiness, alert and personnel reserves, about 1,270,000 reservists have to constantly be in a call-up relationship ["Beorderungsverhaeltnis"] as of 1995 by:

- diminishing the portion of active soldiers from 489,000 to 456,000;
- building up the WHNS [expansion unknown] organization from about 8,000 to 90,000; and
- building up the personnel reserve from 77,000 to 350,000 for improving endurance capability.

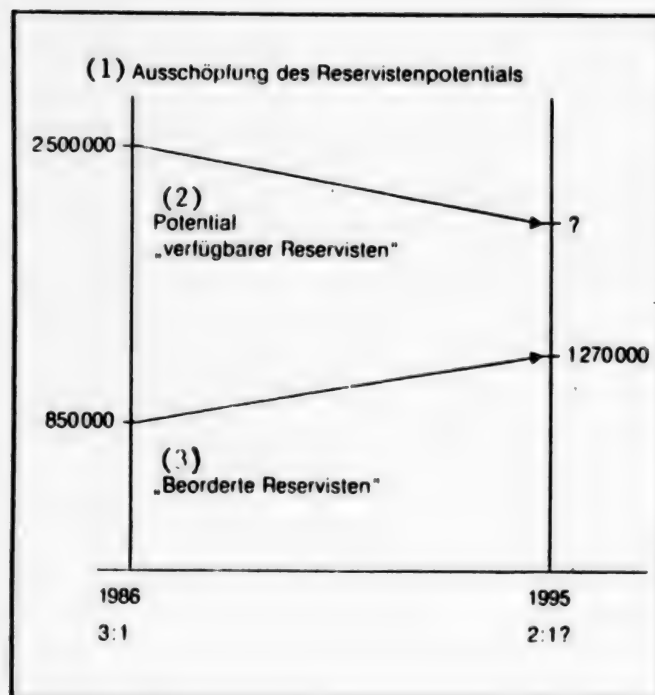
The Bundeswehr is thus raising its inventory of summoned reservists by around 50 percent, and in so doing is also sending clear signals to our allied partners regarding the strengthening of conventional defense capability. This constant requirement of the armed forces must in future be met from a constantly diminishing inventory "of available reservists" (Figure 2). At the same time this means that the smaller the portion of active soldiers becomes at any given defense level, the more the armed forces inevitably assume the nature of a training army.

Figure 1



- 1- PERSONNEL LEVEL
- 2- F [prob. exp.: Peacetime] Level
- 3- V [prob. exp.: Defense] Level
- 4- Personnel Reserve (excluding [defense - v.s.] level)
- 5- A [poss. exp.: Alert] Reserve WHNS [exp. unk.]
- 6- currently only about 8,000 called up
- 7- Standby Readiness and A [v.s.] Reserve currently called up
- 8- Active Soldiers including 36,000 Recruits
- 9- Standby Readiness
- 10- Military Exercise Positions
- 11- SaZ/BS [exp. unk.]
- 12- currently called up
- 13- 1.69 million, including 1.27 million summoned reservists

Figure 2



- 1- Exhaustion of the Reservist Potential
- 2- Potential "of available reservists"
- 3- "Summoned Reservists"

The Federal Government Activates Armed Forces for Defense

The armed forces can fulfill the defense mission given them by the constitution only at a defense level dictated by the Federal Republic of Germany's geographical position as well as the extent of the threat.

It follows that the armed forces' capability to be able to fulfill their mission in war must be the starting point for all considerations and planning for structures and levels of the armed forces in peacetime and crisis.

The yardstick of all planning is to ensure the fulfillment of the mission in war. The results will have to be gauged by that. For constantly attaining this aim, the armed forces must therefore contribute to the credibility of deterrence with a limited, operational peacetime level in the alliance and at the same time fulfill two tasks which complement each other:

Through reaction capability, make a possible aggressor aware that quick, long-range initial successes are not feasible without recourse to nuclear

resources; i.e. to confront them with the inevitability of nuclear escalation from the onset.

Through viability, to make it possible for the heavily cadre-strength units to fulfill peacetime missions which are necessary to ensure growth equal to the defense level and guarantee staying capability.

The operational forces bear the main burden of reaction capability. The reservists bear the main burden of growth and staying capability. Reaction capability alone is not sufficient. The alliance would after a very short time be forced to fall back on nuclear weapons to compensate for eroded operational forces.

On the other hand, the predominant reliance on reservists and thereby on growth and staying capability would not come up to the Warsaw Pact's growing capabilities for attack after a short preparatory period. The reaction capability would be evaded, and thereby no staying capability could any longer come up to par either. Immediate recourse to nuclear weapons or capitulation would be the consequences.

These two Bundeswehr tasks that are to be resolved simultaneously subject our armed forces--as hardly any other alliance partner--to the sphere of conflict of reaction capability, growth capability and staying capability, since the German armed forces with their reaction capability have to first contribute to the growth and staying capability of the Bundeswehr as well as of the alliance partners who are integrated into forward defense on German soil.

The overall task can only be resolved within the framework of a concept which takes into consideration the two main components, reaction capability and staying capability, in a balanced organism that is viable in peacetime. This presupposes an equal state of integration of the reservists into the overall tasks as well as the daily cooperation of active soldiers and reservists.

Objectives for an Up-to-Date Reservist Concept

On the basis of historical consideration, an analysis of the existing weaknesses and need resulting from the threat, the following goals should therefore set for an up-to-date reservists concept:

Troop Command

Troop command means dealing with entrusted people. It is thus first of all leadership. The military unit is not an abstract organization, but is made up of people with feelings and emotions. The reserve units ("equipment units") are to be included here. Leadership is no longer a functionally sober administrative and organizational process. The central role of the commanding officers and chiefs of cadre-strength mobilization components and units is thus clearly to not to administrate a "collection of equipment in the form of equipment units," but with high personal commitment to have to lead living bodies of troops according to the principles of internal civic leadership.

The leader of reserves is also to be included in the principle that the military leader bears the undivided responsibility for leadership, education and training of the soldiers subordinate to him, including reservists, in peacetime, crisis and war.

This means that the authority of the commanding officers/chiefs of mobilization components and units should be widened in such a way that within a framework prescribed to them they can also bring influence to bear on the spheres of personnel, leadership and training outside of military exercises. But this equal status with active soldiers, which is also demanded by reservists, is not possible at the time because of defense law reasons, since even the summoned reservist is according to military regulations not a soldier outside of defense exercises and official functions. Therefore, neither a requirement for obedience nor an assumption of duty as a superior is possible outside of military exercises/official functions. On this point we thus still even take second place to Art. 11 of the Scharnhorst draft of a constitution for the reserve army, to say nothing of the regulations in other countries. If terms of reference, responsibility and competence were made to coincide, then a change in military regulations should be tested here.

Personnel Management

Military personnel command is part of overall leadership and thereby also of troop command. Its aim should be to guarantee the best possible slotting in the defense level, including the structured personnel reserve, and to take the interests of the individual active soldier as well as of the reservist into appropriate consideration.

What is needed for this is a "central military personnel management of reservists" in all service components, and this management must be subject to the same principles as the personnel management of active soldiers. This procedure has already been applied by the navy for years (cf. TRUPPENPRAXIS 4/86, p. 325 ff.). Also, the armed forces must view--via a personnel management level--the overall level of all slots (defense level and structured personnel reserve) to be occupied as an organizational unit, in order to ensure that one service component's surplus of reservists can be diverted to another which has need of them and, if necessary, thereby order a change of military component according to active service time.

Only in this way can an equitable utilization between the reserve potential and the service components be achieved and a complete follow-up summons of all active-duty soldiers be guaranteed.

Supplementary to this, field replacement and personnel replacement must be structured relating to service component and a military "home formation" ["Heimatverband"] established yet during active service time.

Ideally, the reservist remains in his former active unit ("home formation") as an alert [status] reservist. If there is no need for him there, he is transferred while still on active duty to a fully mobilization-dependent unit ("equipment unit") which then becomes the military "home formation" for the period of his call-up. This military "home formation" is responsible for

further personnel processing. This also includes having to open up a prospect for the reservist within the scope of "personnel planning."

Even when the older reservist is then "transferred" to field replacement or personnel replacement within the course of the years, only his personnel file "migrates." He himself is kept in person in his "home formation" or parent component and continues to exercise at this unit. The exercise unit then always covers personnel losses during mobilization exercises from its own structural portion in field or personnel replacement.

A specific training direction under uniform responsibility, the development of team spirit and individual consideration of personal hardships are possible only through this combination of measures. The reservist can identify with such an organization, which is easily comprehensible to the individual, and his motivation is raised and he is willing to perform.

Organization

The apparatus is to be created in the organization to make "equipment units" viable too. This entails freeing these units from "outside administration" and their being able to stand on their own feet in the vital management functions of "personnel management" and "preparation and implementation of mobilization."

The support of the summoned leader by an active cadre "subordinate" to him "with limitations" is possible only this way. Additional support in planning, preparation and implementation of mobilization command post exercises and mobilization exercises can then be extensively performed by the leadership and functional personnel in the form of short military exercises on weekends. Every inactive mobilization unit must be qualified to be able to mobilize itself without outside help.

Training

The aim is to train every active soldier and future reservist within the scope of basic military service or military service on the basis of voluntary commitment in such a way that he can completely fulfill his use provided in the defense level without further training after the start of an alert.

The smooth employment of a soldier in a TO&E slot in the defense level, as well as in the structured personnel reserve, therefore demands that he do the following during the active service period:

- acquire the ATB/ATN [= MOS] "security soldier";
- be able to fulfill his function in his main employment from the seventh month on;
- receive supplementary training for his earmarked mobilization employment within the last nine months (the last 12 starting in 1989) of his basic military service/active duty period provided that this employment does not coincide with the employment during his basic military service/active duty period.

Only in this way can it be ensured that the inactive mobilization units are freed from the training performance to be otherwise additionally furnished and can fully concentrate on practicing mobilization within the unit framework as well as on the proficiency training of the reservists.

Motivation

About every third reservist called up for a military exercise in 1985 did not report. The following can be mentioned as causes for such high dropout rates:

- a mostly inadequate integration of the reservists into their mobilization units (deficient military home [unit]);
- an impersonal summons and personnel management practice (a perceived gap-filler function);
- experiences of frustration as a result of inadequately organized military exercises (experienced second-class situation);
- incomplete information as an active soldier about later reservist status;
- a not very lucid--individually hardly predictable--call-up practice for military exercises;
- inequities in conscription as a result of an imbalanced exhaustion of the reservist potential;
- gaps in social security during military exercises;
- concerns about retaining one's job.

The first six points of this list of deficiencies can be extensively remedied by observing the objectives in the spheres of troop command, personnel management, organization and training. If structures and procedures for the 1990's can adequately and flexibly respond to shifting training requirements, [if] the importance of the reservists for fulfilling the defense mission is recognized by all active soldiers, [if] the reservist stands as an equal soldier next to his active comrade and is permanently integrated into an active or inactive mobilization unit as a "home formation," the bases for his motivation will be laid.

Support by the parliament as well as the public in the broadest sense is needed for the last two points. An up-to-date reservist concept must therefore make the public in particular aware of the importance of reservists for the Federal Republic of Germany's defense capability within the framework of total defense. In so doing, it must make the following clear:

- That the competing goals and claims of state, Bundeswehr, social groups, economy and individual are to be seen in a politically acceptable as well as militarily necessary sequence of priorities which do not tolerate any constant reorientation.
- Where state and society must make achievements.
- Where Bundeswehr and society can work to mutual advantage.
- Which measures the Bundeswehr is taking to reduce both social and individual hardships.
- Where the boundaries of consideration of personal, social and economic interests lie within the scope of feasible equal treatment and fairness.

Only long-term determination and calculability within the framework of a standard capable of consensus permits bringing about a maximum of equity in conscription and military exercises, which is a fundamental prerequisite for the motivation of the citizen who is liable for military service.

SCALE, COMPLEXITY OF INEQUITIES HINDER RESERVIST INTEGRATION

Bonn TRUPPENPRAXIS in German Jan 87 pp 12-16

[Article by Dr Wolfgang Steinlechner: "Military Equity for Reservists"]

[Text] Noble words (for instance, the appeal to the voluntary spirit of reservists) will hardly succeed in overcoming the reluctance of those who, after 15 or even 18 months of basic military service, are now also supposed to complete military exercises on a larger scale still. It may be asked in this respect whether the many millions spent year after year for the "Association of Reservists" are used correctly.

This association--an independent corporate body of private law--already has the handicap alone that, without the consent of the reservists, the latter's personal data such as rank or the so-called MOS (military occupation specialty) may not be passed on to it. So, for reasons of data [privacy] protection law alone, the reservists' association is not directed at the target group which would be of interest; namely the reservists, who hide behind it so that they do not have to go through another large number of exercises.

But even with the reservists who are willing to train, one will not be able to fulfill the federal government's ambitious goals to have 15,000 reservists "under arms" day after day, in order to balance out the lower birth rate years among those doing basic military service. Here, unfortunately, more coercion will be necessary; but this will only be accepted if it affects everyone evenly.

Military equity even for reservists is the need of the moment!

The question whether keeping the Bundeswehr's peacetime strength actually at 495,000 men--including about 100 female medics--is succeeding when the birth curve has reached a low point depends less on legislative measures--thus extending basic military service to 18 months--than on whether the administrative measures will catch on. By this is meant:

- calling up married men starting in 1988;
- reducing the exemption rates for disaster protection;
- changing the fitness requirements according to ZDv [= Central Service Regulation] 46/1.;

- moving the induction deadlines for high school graduates to 1 June, in order to make it easier for them to perform basic military service;
- raising the budget appropriation for military training positions to 15,000 per day [sic]

Thus, at first glance, the emphasis of administrative measures seems to lie in the sphere of basic military service. But that is deceptive, as the following figures (which can only be approximate values, though) prove:

At an assumed duration of 12 days for a military exercise, 30 reservists per year can perform a military exercise at a military training site. The establishment of 15,000 military training positions thus results in the fact that in the entire sphere of validity of the compulsory military service law, 450,000 reservists must actually perform military exercises every year; correspondingly more in the case of shorter exercises, for instance weekend exercises.

These figures concern the reservists who actually report for duty. For this outcome to occur, according to current practice, more induction proceedings will have to be introduced for balancing out deferments for health, but also for other reasons, as well as due to the necessary unavailability of at least 30 percent, thus in all around 600,000 administrative proceedings. The tougher the deferment practice, the practice of UK positions [sic], will be, the more the objections against the intended induction will shift to the medical side, especially as a last resort. This is all the more true as family physicians will show themselves more compliant in issuing sickness certificates than ever before, due to the physicians' glut; i.e. because of the intensified competitive struggle among physicians in the coming years. The number of screening examinations by induction physicians of the district military replacement offices and utilization of specialist physicians will greatly increase correspondingly.

But 15,000 military training positions per day also mean that 5,375,000 military training days are to be performed per year. If that should have to be dealt with by an age group which will be at around 150,000 men available for basic military service in the mid-1990's, then somewhat less than 40 days of military exercises would fall to each reservist of an age group. So that this relatively long military exercise period does not have to be performed in a single calendar year, but also for other reasons (training, feeling of team spirit and comradeship), it is sensible to reduce the burden by calling up several age groups for military exercises at the same time: In the case of two reservist age groups--in the mobilization plans--each would have to serve only 20 days a year; in the case of four, only 10 days, etc.... If the reservists do a 10-day military exercise only every two years, then eight age groups would be needed, which would equate to a so-called "standing time" of eight years as a mobilization-summoned reservist.

These arithmetical average figures in themselves show that a relatively long "standing time" is necessary in order to be able to call up the individual reservist for tolerably short military exercises in the--tolerable--two-year cycle. But a long mobilization summons can hardly be sustained, because a person's health status is already subject to strong changes between 20 and 30

years--that would indeed be the period in question--as the screening examinations by physicians of the military replacement boards show again and again. But these arithmetical figures also show how problematic the burden to mobilization-summoned reservists becomes if not all of them are called up. Their burden doubles if only half of them are accordingly included in plans and then called up for military exercises.

The consequences of all these considerations can only be that it must be indispensable for all those who have previously done their basic military service to be included as reservists in planning and called up for military exercises. By so doing, the viewpoint of military equity also takes on a central significance for reservists.

At present, not all reservists are summoned for mobilization for a long time. Sometimes it is far under 50 percent. That is by no means due to the inability of the military replacement boards. The mistake is inherent rather in the system which makes different demands for replacement reservists and reservists; namely:

- for replacement reservists, the symbol of requirement to which is equated the symbol of assignment proposed by the Psychological Service of the military replacement board;
- for reservists, their training as it is expressed in the MOS; thus on the knowledge which the soldier has possibly acquired during military service (also on short term) or during any subsequent military exercises.

The problem lies in the fact that assignment proposal and MOS are in fact theoretically related to each other, but that a uniform series of training is lacking, because training and activity during basic military service are in general oriented exclusively to the requirements for actual operational strength. Additional reasons for discontinuity can be:

The field force trains differently from what is programmed for by the district military replacement office for basic military service; i.e. fundamentally from what is required by it itself. That happens especially when other soldiers are separated early or the available volunteer manpower has developed differently from what was planned.

In the extreme case: the field force trains for an activity which is out of the question because of induction results. A draftee who is only fit for military service with restriction in basic training and for certain activities ("qualified 3") is without regard to that trained as if he were fit for military service 2 [i.e. in 2nd category] (no exceptional cases!). The district military replacement office is then obligated to block the corresponding MOS so that it is impossible to put [it] in mobilization planning.

After release from basic military service, the fitness grade is changed (for the reasons already portrayed); assignment possibilities cease to apply. If they affect the MOS, then it is to be blocked too. The field force trains for activities which are not needed for a mobilization program to this extent or not at all.

That is basically true whenever active troops do not have any equivalent mobilization units in the same or neighboring federal land, perhaps for geographical reasons.

Whoever is not included in the mobilization program, is at most in the so-called "personnel reserve" and does not have any "deficiency MOS," currently has good chances of not being called up for defense exercises at all. This non-programmed "military service exemption" is purely arbitrary.

In contrast, deferments or even u/1 positions are borne by a definite, relevant reason, thus not arbitrary. Rejections, thus the refusal of a deferment or U1 position, are only given the appearance of arbitrariness by the very fact that there are a large number of reservists who are not called up for defense exercises at all.

In spite of this relevant justification, it is natural to ask whether the deferment practice of the military replacement boards should not be brought to "zero," perhaps apart from cases in which close relatives are in great need (for instance: the wife is about to deliver). Namely, it should be required that any opponents of the reservists must yield that which they indeed also have to accept in the case of an illness. This would, for example, be the case with

- travel arrangers;
- scientific testing offices;
- employers with regard to leave planning (this is especially distinctive if it involves the leave planning of the wife's employer);
- business partners who insist on a contractually arranged delivery deadline, etc.

These "opponents" must in the case of relatively young partners always expect that such reservists still have defense exercises to perform, apart from the fact that this also would also be brought up for discussion by the reservist himself on a timely basis. But this counterargument can only be valid if the reservist's callup can and must be firmly taken into account. Military equity is thus also an absolute prerequisite here.

The chances of realizing these ideas, however, are at present only to be seen in the university sphere: In view of the sinking numbers of students, scientific institutions will no longer be able to put themselves on a high horse as much as before, professors will no longer be able to argue that the Bundeswehr has to yield when, for instance, it involves exam paper deadlines which fall in the military exercise period.

On balance: Demands for an improvement in the motivation of reservists are all noise and smoke if bringing about military equity in this very sphere does not succeed also, for only that will in all respects promote the understanding that it is senseless to fight against defense exercises.

The following measures should be thought of in particular:

- Basic military service and mobilization assignment should not be two different "careers," but must be mutually dependent. Basic military service

and mobilization assignment should not be seen separately, but must relate to each other.

- This must already be taken into consideration when the program for basic military service is planned: The field force must have included employment as a reservist when making requirements for basic military service. The Psychological Service of the military replacement authority must tell the programmer for basic military service at the district military replacement office which man is the right one for assignment in basic military service and as a reservist. Basically, the psychologist must not allocate any assignment proposal for basic military service, but the appropriate possible MOS identifications which are equally valid for basic military service and mobilization assignment. Seen this way, the assignment proposals made exclusively for basic military service are superfluous.

- To solve all these problems it will be essential to work out appropriate assignment series in the greatest detail. Given the present status of electronic data processing, that is a problem that can be overcome.

- This would be meaningful if each active unit had "its" mobilization units for which it exclusively has to provide the reservists, for instance in the sense of regular "sponsor" units. That would also promote cohesion among the reservists.

- A larger portion of reservists must possibly be deployed now among the active units, if only so that a balanced relationship comes about in all respects between those doing basic military service and reservists.

- A calculable military service cycle to be determined over several years, i.e. for all involved, also belongs here.

- Finally: In the future there should no longer be any replanning in spite of trivial health deteriorations. Rather, an MOS--once allocated--must be stuck to as long as at all possible. Appropriate measures have already been introduced for security soldiers.

This last point requires a proper portion of courage for risk. But unpopular measures will be inevitable anyway in the coming years. Hard times are coming for the district military replacement offices in particular, if they are to carry through all that the politicians are demanding of them. So the authorities should be helped at least to the extent that the argument--frequently to be heard today--is taken away from reservists, their relatives and employers: "Why me of all people, when there are so many others who have never gone through a defense exercise...?"

13084

CSO: 3620/154

EYP CHIEF PARTICIPATES IN AIR FORCE MEETINGS

Athens I KATHIMERINI in Greek 6 Mar 87 p 2

[Excerpts] Yesterday, the third day of the annual evaluations of officers in the Armed Forces only evaluations for officers in the Army and Navy took place. This strange fact has an explanation which is far from pleasant. Here is what happened:

Last Tuesday, first day of the evaluations, the plenary session of the Supreme Air Force Council met to form the Superior Evaluations Council. But the plenary session must include at least two thirds of Air Force lieutenant generals and major generals who occupy regular positions in the Air Force.

There was no quorum because of the absence of the Air force General Staff chief Lt. General N. Stappas and the recent retirement of three major generals holding regular positions. For this reason, it was decided to include Chief of the National Intelligence Service Filippos Makedos who holds no regular position in the Air Force, in the General Staff of the Air Force, or in the General Staff of the Armed Forces.

Subsequently, the Supreme Air force council met to compose the list of officers to be promoted to the rank of major general. The list must include three times as many names as the number of open positions. The number of those composing the list is eight. The name of Brigadier General D. Kolonis was added and the list was sent to the General Staff Officers Council [SAGE] which found that the composition was not lawful since one of the members, Major General Makedos, held no regular position in the Air Force.

Thus, SAGE dealt only with the evaluations for rear admirals and major generals: Timotheos Masouras, Ioannis Fokas, and Nikolaos Gialirakis were promoted to rear admirals.

The Supreme Military council promoted to the rank of major general the following brigadier generals: Nikolaos Bozonis, Kyriakos Dimitriadis, Antonios Papatriandafylou, Nikolaos Tzangarakis, Sypridon Koukis, Konstandinos Tzintzias and Ioannis Psailas.

On the other hand, the following brigadier generals are being retired: Dimitrios Kitsos, Alexandros Liaskas, Petros Papazarkadas, Thomas Giatsinaris, Nikolaos Petrakis, Sotiris Ferendinos, Georgios Mitsainas, and Konstandinos Melas.

Two Charges by Officers

Air Force officers charged last night that in order to achieve a quorum in the Supreme Air Force Council, Major General E. Papadopoulos, the chief of staff of the Tactical Air Force Unit in Larisa was called to Athens in addition to the commander of the unit. The simultaneous absence of the commander and the chief of staff from the headquarters of the unit is without precedent.

Air Force Lt. General G. Mavrakis, who 2 days ago was appointed head of the Air Force, is reported by the same officers that he has never served as commander of a squadron or as commander of an Air Force wing.

According to the same reports, Mavrakis was in line in 1982 for the same position but was passed by. he submitted at the time his resignation to then Alternate Defense Minister And. Drosogiannis who, however, refused to accept it.

7520

CSO: 3521/97

NEW RETIREMENTS IN THE ARMED FORCES ANNOUNCED

Athens I KATHIMERINI in Greek 4 Mar 87 p 1

[Text] The annual evaluations of officers in the Armed Forces started yesterday with retirements--"slaughter"--in the Air Force. All five major generals of the Air Force, holding a higher place in the lists, were retired thus opening the way to put the National Intelligence Service [EYP former KYP] Filippos Makedos at the top.

Major General Makedos is notorious for his report on the Greek-Americans when he was serving as Air Attache in Washington [Greek Embassy] approximately 2 years ago.

The National Defense Ministry issued last night the following statement:

"The annual evaluations of officers in the Armed Services have begun. The council of the Chiefs of the General Staffs met in the morning and evaluated the general officers in its jurisdiction. It decided that the following have honorably ended their career: Rear Admirals: Nikolaos Mandadakis, Mikhael Stavrianakis, and Nikolaos Gamaletsos. Air force Major Generals: Georgios Tsalingopoulos, Evangelos Petroulakis, Athanasios Stathias, Aristidis Tziritas, Apostolos Katsogiannis.

Subsequently, the Supreme Military Council decided that the following major generals have honorably ended their career: Anastasios Kondos, Georgios Minakidis, Vasilios papasotiriou, Georgios Tzekas, Evangelos Karamaneas, Manousos Kouridakis.

The evaluations continue."

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CSO: 3521/97

ND CONDEMNS RETIREMENTS AS 'POLITICIZATION'

Athens I KATHIMERINI in Greek 12 Mar 87 p 1

[Text] Two days ago 16 Air Force colonels and 14 Navy captains were retired from the Armed Forces and next Monday the second phase in the evaluation of officers will begin. The major opposition, the New Democracy Party, accuses the government of intensifying implementation of its plan, which is designed to turn the Armed Forces into a party controlled force and notes that the main characteristic of this year's evaluations is that on the average the percentage of those retired exceeds 50 percent of the officers evaluated.

Similar charges were made by Kon. Stefanopoulos, the leader of the Democratic Renewal Party, during his regular Wednesday meeting with the press. He noted that the evaluation is based on partisan criteria and not on the personal service record of those being evaluated.

Repercussions on Morale

In its statement yesterday, ND emphasized the following: "The recent officer evaluations lead to the conclusion that by removing a large number of officers--mainly in the rank of Army colonel and the corresponding rank in the other Arms--the government continues and intensifies implementation of the plan which aims at the complete introduction of partisan control into the Armed Forces. The main feature of this year's evaluations is the high percentage of those being retired, which exceeds on the average 50 percent of those serving in three services holding the rank of colonel and higher.

"One can easily see the effects of removing worthy, able, and experienced officers whose only drawback is that they do not belong to PASOK, while at the same time promoting in certain cases inadequate officers, without experience, only because they are subservient to this party.

"One wonders whether the government comprehends that by its actions it undermines unity and morale while weakening the readiness and capability of the Armed Forces at a time full of dangers. ND notes this with a deep sense of responsibility and concern."

Democratic Renewal Chairman Kon. Stefanopoulos in his regular meeting with the press yesterday said the following with regard to the officer evaluation:

"It appears that it has now become an established practice to ignore the criteria of meritocracy in these evaluations. Officers with excellent professional records and unblemished characters are placed out of service without a valid reason. This causes disappointment and indignation in the officer ranks. Officers at the level of colonel and up are evaluated on the basis of data which do not exist in their personnel files."

He elucidated that by "data not in the personnel files," he means PASOK's partisan criteria.

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CSO: 3521/100

HIGH PILOT TURNOVER THREATENS FIGHTER SQUADRON EFFECTIVENESS

Rotterdam NRC HANDELSBLAD in Dutch 28 Feb 87 p 11

[Article by NRC HANDELSBLAD staffer Els Flipsen: "F-16 Pilots Move from Fighter to Jumbo Jet as Fast as Possible"]

[Text] Twenthe/Volkel, 28 Feb--The Royal Air Force lets many millions of guilders slip through its fingers because it is not good enough at holding fighter pilots over the long term. Major Leo van de Born, deputy commander of an F-16 squadron at Volkel Airbase, knows one way to save money: "If a person stays on as a pilot till his 45th birthday, you could give him a million guilders at the end, just like that, as a bonus, and you'd still be saving money, because the man's training cost the air force 4 million guilders. Training a new pilot every 6 years costs a lot more. Major Franklin Oliemans, squadron commander, adds, "If you divide that 4 million up among all the pilots you'll really save money because they'll all stay in then."

More and more pilots are opting for civil aviation, even though flying an F-16 jet fighter represents a young man's dream come true. Major Oliemans: "Most pilots have a wife, and when she hears that there are jobs where you don't have to work so hard, are at home regularly, where there's almost no danger and you earn twice as much besides, she says, 'Just go on over to KLM.'" Nobody wants to be dramatic about the danger, that is part of the job, but a pilot says, "Out of my class of 10, I've buried 3."

Desperate Effort

With the exodus of experienced pilots the risks are increasing and we found in talks at Volkel and Twenthe Airbases that this worries many fighter pilots. In the past there were periods with a shortage of pilots but they were always followed by years with more adequate manning. "But we're flying down the length of the valley this time," says Oliemans. In a kind of desperate effort practically all of the Netherlands' fighter pilots have joined together to form an association, whose chairman is Major Dick Berlijn. "We're trying to get more of a response from the politicians," he says. "We're short of people on all sides. You can't solve that with just new people. What we're talking about is, how do you hold on to experience?"

The air force is experiencing a downwards spiral. Experienced pilots leave and are replaced by young pilots who still have a lot to learn. The shrinking group of remaining senior pilots is given the task of teaching them; this wears them down, with the result that they too start thinking of leaving. Maj Van de Born: "We want to do our job well and get the squadron up to a certain level. Then all at once, boom boom, your mates leave and the level falls. New people come in, you try to teach them to fly safely, they reach a certain level and boom, there they go too. You'll never get good that way."

Out of just over 200 fighter pilots, more than half already have the papers needed to transfer to civil aviation, while others are still studying for them. Up until a few years ago an average of 30 percent of reservists stayed in the air force after their first contract period. Now it is said that hardly any do. It is worrisome that now even Royal Military Academy graduates are finding the air force attractive, even though, given their education at the academy, they are expected to stay in the service.

Flight pay is a source of great bitterness. It is practically unheard of to continue flying until retirement, so flight pay is lost early on and does not count for pension purposes. Major Nieuwland: "If you do this for 20 years you deserve to have the flight pay be part of your salary." Another solution is to introduce "tropics years" [so called from the earlier practice of giving extra weight to service in the tropics]. If flying years count double, it is possible to earn a respectable pension in a reasonable time. Oliemans: "That would make the spiral, which is going downwards now, go straight up. You'd hold on to a lot of people, you'd hold on to the experience and that would also make it more attractive for others to stay on."

Jumbo Jet

Several fighter pilots who are ready to exchange the F-16 for a jumbo jet confirm that. "If that goes through, I'll be the last to leave," says one. "I'd love to stay here till I'm 40 but if nothing changes, I'll be gone in 3 years. In a short time I'll be taking a weapons instructor course, which is great. I'm doing it for my own pleasure, but I'd rather be doing it to make those two youngsters into great fighter pilots." Those "youngsters" returned 4 months ago from basic training on the F-16 in the United States and have not flown a single meter since then. The reason? "Gridlock," everybody shouts. For various reasons there are too few people available to provide the necessary training and help.

Everyone agrees that the F-16 is a great aircraft and one which makes its predecessor, the Starfighter, seem almost childishly simple. The new jet fighter makes much stiffer demands technically, psychologically, and physically. It is stuffed full of high-tech electronic equipment, providing the pilot with an incredible quantity of information to absorb, process and interpret if he is to respond adequately, preferably all in a fraction of a second.

To put one example in simple terms, the pilot has a box that beeps whenever he is picked up by a ground radar station or another aircraft and also whenever a projectile is heading toward him. Oliemans: "Each radar system has its own

specific sound. You have to recognize it and respond properly. Say you're flying toward a target to attack it. To do that you have to feed the computer, enter a whole batch of data, check to see if it's all right, take another look. Then if an aircraft comes at you, you have to think to yourself, he mustn't get me. You can try to run away, but if that doesn't work, you'll have to engage in combat. Drop your bombs—you've got enough of them since you were heading toward a specific target. Maybe they don't want you to drop any bombs there so you'd better use your cannon. In the meantime you've to watch where you are, how high, whether you're still flying in formation, whether you have enough fuel, if somebody else is coming at you too. That keeps you pretty busy."

Heart Subsidence

This brief account is supplemented by the other pilots with remarks about the stiff psychological and physical demands the aircraft makes; about the pilot's physical condition, which has to be perfect, since the F-16 punishes minor mistakes severely; about the pressure, which can reach 9 G's in a fast turn. The blood streams out of the brain and the pilot has to press hard to get it back in again, "otherwise you see gray and then nothing." On top of that, the pilot also has to be looking backwards in such a situation, with a head and helmet that weigh 50 kilos at 9 G's. "Just put a bag of cement on your head and you'll know what it feels like," says a pilot. The neck muscles in particular have a hard time of it and physical therapists speak of the strain with deep disapproval. According to American tests (on pigs, at least) there is also the phenomenon of a 2-cm heart subsidence. What the long-term consequences are, nobody knows yet.

Tall people have particular difficulty because the distance between the head and heart plays a role. Amid general merriment the pilots describe the ideal F-16 pilot: a little man, 1.5 m tall, with no neck, high blood pressure, and hardening of the arteries. An airline pilot has it easier. Oliemans: "I talked with a former colleague who's now a copilot on KLM. He still can't land, but he earns twice what I do." Other pilots add: "Those guys just type in a route number and it tells them everything. The aircraft can do everything automatically from the moment you're off the runway till you put on the brakes at the end of the runway." Taking off and landing is "the easy part" for fighter pilots, says Maj Berlijn. "The real work only starts in the air. You're busy in an incredibly concentrated way. You have to watch out your mate doesn't fly into the ground during mock combat, like happened in Hoogeveen. You're busy surviving but over and above that you've got to try and get a tactical advantage out of the situation."

Military pilots do not expect to be paid a salary equalling that of airline pilots but the gap does have to be narrowed. Doing so would sharply decrease current irritation over relatively small matters such as lack of reimbursement for expenses, travel compensation of 0.18 guilders per kilometer, and time-consuming administrative "garbage." At the present time irritation runs high.

"Overtime pay of 6.75 guilders an hour —I don't dare tell them that at home," says one pilot. Maj Nieuwland: "Nowadays we've all got a briefcase and that's an ominous sign. It's almost always full of paperwork."

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CSO: 3614/49

LOSS OF PILOTS TO CIVIL AVIATION STILL PLAGUES AIR FORCE

Rotterdam NRC HANDELSBLAD in Dutch 2 Mar 87 p 7

[Article by Els Flipsen: "Many Fighter Pilots Move to Civil Aviation. Air Force Attempts to Improve Attractiveness for Pilots"]

[Text] Volkel, 2 Mar—Colonel B. A. C. Droste, commander of Volkel Airbase in North Brabant, shares the fighter pilots' concern about the growing movement of experienced men into civil aviation. "They calculate what the air force can offer and what they can get outside. At this moment the truth is that people are choosing what is being offered elsewhere, and you can conclude from that that we in the air force still cannot compete with the outside world."

Droste says that other countries have similar problems. "It always comes in waves. Whenever civil aviation is attractive, you see it happening all over the world, but much less so in Britain, Belgium, and West Germany. In Germany the average age in a squadron is 32, 34, whereas with us it's 27 or 28. That 5-year difference, converted into flying hours, represents the difference in experience. They offer pilots a career of 16 or 20 years, after which they can get out with a bonus and an immediate pension. From the organization's point of view, they get the maximum profit from their pilots. The air force has tried more than once to bring about a similar situation here, but so far it hasn't been possible. Why not? I think it's not permitted under the legal regulations governing Netherlands government employees."

A few years ago the Scandinavian countries faced an increased movement into civil aviation. It is even easier to convert there, because no special examination is required. According to Major Leo van de Born the Danes are having the biggest problems: "Their pilots can't take courses any more, can't get weapons instructor training, they can't do operational training, simply because they don't have enough pilots." Col Droste: "This time we could see the problem coming, so we were warned, but we weren't able to create real incentives to stay in. The Swedes made it more attractive to stay on till 41 or 42 by counting every extra year you stay on as 2 years for pension purposes. They've just started that but are already getting good results."

Pay

The air force is more aware of the problems than the pilots realize. Droste found this out not so long ago when he had a staff job in the ministry in The Hague. "Speaking for myself and a little bit for the air force, I can say that we know exactly where we're falling short. I can say right out: Yes, there are problems. We've analysed them, we understand them, and we would like nothing more than to take care of them. The only thing we can't do is to improve pay."

Of the six F-16 squadrons the Netherlands has at present (eventually there will be nine), three are stationed at Volkel. Each squadron is supposed to have a minimum of 18 F-16's. In practice, there are a few more than that, so that squadrons will not immediately fall under strength if one crashes. There are supposed to be 22 pilots per squadron, but at Volkel there are fewer than that. Droste says the number varies from 19 to 21, but that is better than at Leeuwarden Airbase.

Another question is that of quality. "In terms of experience we're now below the level we'd like to be at," Droste says. "It's expensive to train an F-16 pilot. It represents an unbelievable investment, not only in money, but also in trouble, effort, and time. When they come here, they're already a couple of years into their contract, but they're far from being at peak performance. They're just beginning. You only get your investment back when they're able to train others. The contracts are for 8 years now, after which we just watch them leave us. A simple calculation will show that a 20-year commitment saves money. The air force has often made that calculation. It's of vital importance to the air force. If you're not always having to train young pilots, the older pilots also have more time to improve their own abilities. You see that right away in operations. And if you ask me if there's a link between experience on the one hand and operational effectiveness and flight safety on the other hand, I'll tell you, yes, of course there is."

Rejection Rate

In recent years the number of applicants has been stable, but the number of selectees has fallen. Droste: "Our rejection rate is pretty high. Last year the number of applications rose sharply. That's been attributed to the film Top Gun, but that's not to say it brings us the right pilots. Of course, someone may always have received his calling late, but if Top Gun is the only motivation, I have my doubts about the person." There also has to be a balance between Royal Military Academy people, who fly for a short time before moving on to staff jobs that call for flight experience, and reservists, a large number of whom the air force hopes will sign up again after the first contract period. Droste: "Ultimately we have to fill the top jobs in the air force from the first category, and so they have to be there when they're needed. The careers of the second group—we really appreciate them but, alas, don't have an awful lot of them right at the moment—don't move so quickly, so you can benefit from them for quite a long time in the squadron."

The most important result of efforts to make the air force more attractive through structural changes (Droste: "And that wasn't easy; it took a long

fight") has been to change the rule that transfer to certain office jobs automatically meant an end to one's flying career. In his first week as base commander Droste took advantage of the new opportunities and flew in a formation of four F-16's. "An older pilot wouldn't like to get into aerial combat, but the idea that you're not saying goodbye to the cockpit for good is important." An additional advantage is that a pilot receives flight pay for longer. However, mentally and physically, men in their fifties are rarely if ever up to flying F-16's. The pilots organizations point out that this means that flight pay is not reflected in the pension.

The growing unhappiness over pay turns even minor imperfections into major irritants. Droste: "Over the years we've built up a pretty bureaucratic organization, that's just as true of the staff in The Hague as of the airbase. Bureaucracy ensures that your rights are observed, but where it has a negative effect, we're trying to eliminate it. A 30-year old operational pilot, at the peak of his skill, should be able to concentrate entirely on his aircraft, that's his mission. He's got to fly as well and as safely as he can, those are the two criteria."

Low-altitude Flying

One improvement is to attach an administrative officer to each squadron. The air force is working on that, Droste says, "but of course we have to have the manpower. The pilot problem isn't the only one we have, people are leaving the air force in other fields as well--computer people, trained administrative personnel. Those specialists are in great demand." Flying itself has gotten much more exciting. Droste: "You'll find without exception that everybody who leaves us says it was the best part of his life. The F-16 is as attractive for many pilots as planes used to be--real flying in the sense of feeling the aircraft. For a real pilot the training package we offer has gotten more and more attractive. This year we're going to Canada, to Labrador, which is outstandingly attractive because of the low-altitude flying. In Europe there are a lot of restrictions, to prevent sound pollution, but only flying at 500 or 1,000 feet, when you know that in wartime you're going to have to fly at very low altitudes, that's stressful."

Col Droste is "somewhat optimistic" about the future, despite the problems. "With the defense budget rising by 2 percent annually, there's going to be money for things more in the area of equipment. I don't think it's any secret that if it were up to the air force, they'd be happy to spend some of that to improve working conditions. If the armed forces are to operate properly, that depends on both equipment and personnel. If you say, 'The workweek is 38 hours and you get 6 guilders for each extra hour you work,' that's insulting."

12593

CSO: 3614/47

AIR FORCE CHIEF REVIEWS AIRCREW, BUDGET, EQUIPMENT PROBLEMS

Rotterdam NRC HANDELSBLAD in Dutch 7 Mar 87 p 11

[Interview with Lt. Gen F. J. De Jong, Air Force Chief of Staff, conducted by HANDELSBLAD staffer Pieter Maessen, date and place not given: "Air Force Chief De Jong: 'Fighter Pilots' Basic Problems Solved"]

[Text] The Hague, 7 Mar—Of the three main branches of the armed forces, the Royal Air Force is the most modest, but the most spectacular for the outsider. It is an operation with 19,000 people and a budget of 2.7 billion guilders in 1987. In the Netherlands only 200 young men (and a single young woman) get to be jet pilots, but it is precisely that select, envied group that attracts all the attention.

The commander of the air force, Lieutenant General F. J. De Jong, leaves no doubt that he personally has done his best to find a solution to the problem that fighter pilots can receive far better pay in civil aviation and are showing a tendency to leave the air force en masse. "But all the attention being paid to fighter pilots creates resentment in other parts of the air force and in other services. There are the technical and electronics personnel, the computer people, and recently the personnel officers too who're in the position of feeling shortchanged in comparison with civilians. All the publicity for the fighter pilots is getting to be counterproductive."

"We've accomplished a considerable amount for the fighter pilots, although things are not perfect. The new regulations are just 2 weeks old, and I think the pilots still haven't seen how they'll work out. Now they can make a much better career of it, and pilots will take almost all of their flight pay with them when they retire. We feel that the basic problems really have been solved."

[Question] Should the recently established fighter pilots association be abolished then?

De Jong: "I feel that they've got other, very useful requests as well, such as store hours when they want to buy a new shirt, and office hours for doctors."

Accidents

De Jong regrets that so often in air force matters, flight operations attract all the attention, because the guided missiles group forms the other main part of the air force. This group is responsible for air defense in the Netherlands and in West Germany with Hawk and now also Patriot surface-to-air guided missiles. The Nike will be phased out within the foreseeable future.

Nonetheless, the conversation inevitably keeps returning to fighter aircraft. The number of accidents involving F-16 fighters and pilots is considerably larger than hoped. De Jong: "We haven't been able to establish any connection between the number of accidents and the pilots' possible lack of experience with that aircraft, the F-16. In fact, most of the pilots involved were experienced people. Nonetheless, because I wanted to create a shock effect, I told the commanders, 'We've got to do something.' We forbade low-altitude flights and low-altitude interceptions and tightened up the other regulations. That produced results. Now the restrictions on the training program have gradually been removed."

"In training I have to find a middle between imitating wartime conditions as closely as possible and seeing to it that there are as few accidents as possible."

The air force has the reputation of being the armed service that is best at planning and that also keeps its promises. In recent years the navy has swallowed up extra money because of problems with the navy shipyards. The Walrus submarine was twice as expensive as estimated. The army is having to call for extra funds because it has great difficulty keeping its tanks and armored vehicles at the level of readiness agreed on. In addition, the army was given extra money when conscripts' pay was raised. After all this, the air force looks like a model operation that keeps its promises and makes do with its money.

Given the army's and navy's worries and requests, the air force faces a real danger that politicians will look mainly at it when they look for possible areas in which to reduce expenditure. De Jong denies having been approached about this, but he does not sound very convincing. He does explain that cuts in the air force budget would be "very sad," "because the air force has always had a very realistic policy." "We've always looked far into the future and reduced our organization with each new piece of equipment. The number of guided missile units has been reduced, and in the 1950's the number of aircraft was twice what it is now. The result is that we now have a very healthy organization." In addition, the air force chief emphasizes that he has no wish to quarrel with the navy and army.

De Jong explains: "If you want to make drastic changes in the air force, those changes will have to be based on something. For instance, you'll have to be able to prove why the threat on land has increased compared to that in the air. If you take away a squadron (of 18 fighters--editor), then the defense plan won't work any more, and you'll have to replace that unit with a foreign squadron that will have to be transferred into the Netherlands. In discussing the threat from the air, you can't look just at the section that

the Netherlands has to defend in Germany, you have to look at the entire central European region. This large-scale thinking seems to be very difficult for us in the Netherlands. Nonetheless, you'll have to consult the NATO supreme commander in Europe."

The soberness so characteristic of the air force also shows up in the idea not to purchase a new aircraft to replace the F-16. Rather, the suggestion is made that, when the F-16 becomes obsolete, it should be modernized to fly for another 20-25 years. This kind of thing is very common in the navy, but it is a brand new idea in the aviation world. De Jong notes that this idea is not intended to make trouble for the Ministry of Defense's political bosses, Minister Van Eekelen and State Secretary Van Houwelingen. At the political level very close consideration is being given to the possibility of cooperating in the joint purchase of a new aircraft such as the French Rafale. Because the sums involved are immense, major political interests come into play.

De Jong, however, doubts whether the Rafale really will have more to offer than a modernized F-16 and suggests that the Rafale will be far more expensive. De Jong: "In any case we must continue to cooperate with Norway, Denmark, and Belgium as we are now doing with the F-16 program. If we do decide after the year 2000 to replace the F-16 with another aircraft, we can make much tougher demands on European industry to get the aircraft that is right for us together than if we stand by ourselves."

12593

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COASTAL DEFENSE FORCES ENCOURAGED WITH NEW BUDGET PLAN

Stockholm DAGENS NYHETER in Swedish 12 Feb 87 p 6

[Article by Anders Ohman: "We Shall Meet in the Archipelago"]

[Text] The coast artillery officers welcome the coming defense agreement for an expanded coastal defense. DAGENS NYHETER can confirm this after a visit to Stockholm's wintry archipelago.

During the same week the defense committee is presenting its proposal, Vaxholm's coast artillery regiment KA 1's coastal troops and blockade battalion are carrying out the winter exercise, "Arctic Ocean," in the archipelago.

There are many daring plans in the coast artillery, which, together with the fleet, forms the navy. During a five-year period 200 million kronor will be spent for new missiles and other systems. No other service branch has obtained such marked political support in the defense agreement.

"I see the dawn, but it is taking a long time to light up," Colonel Per Lundback, the regiment commander of KA 1, said to DAGENS NYHETER.

In spite of the strengthening of the coastal defenses, KA 1 is clearly suffering from an imbalance between resources and assignments.

During the past two years, 60 officers have quit and taken civilian jobs. In this light, an increase of 30 million kronor per year for the next five years is not much money. KA 1 has a yearly budget income of 135 million kronor and a yearly expense budget of 200 million kronor.

15 Degrees Below Zero Celsius

"What happens in the future is one thing. Right now training is the most important. We must improve it," Lundback said.

When DAGENS NYHETER visits "Arctic Ocean" early in the morning, it is minus 15 degrees celsius, and the sun is going up like a fiery red ball over a white frosty archipelago landscape. Two coastal infantry companies of this year's generation are on their way over the ice. The skis are white and the 35 kilogram packs are heavy.

The automatic carbines, the new AK 5, caliber 5.56, are taped with white tape to be less visible at a distance. In the sled there is the 12-man tent.

The mortar platoon pulls its disassembled mortars in the sleds.

During "Arctic Ocean" the coastal soldiers learn to survive in the winter archipelago. They have to fish under the ice, force channels through the ice, reconnoitre on nightly trips over the ice, use proper hygiene, and work together. In spite of their military assignment as a special attack unit, there are coastal soldiers who have never learned how to handle an ax, a sheath knife, or to know the names of the most common types of fish.

DAGENS NYHETER meets Lieutenant Colonel Claes-Goran Heden, head of the coastal defense school, which has also been hit by the departure of officers. The training goals cannot be fully met. A coastal soldier of 1987 will receive a 3 on a scale of 1 to 5, but this is fine, according to the chief.

"We get the best boys in Sweden here. They become efficient, specialized soldiers who operate both in combat pairs and in groups on the platoon level. The guys are really motivated," Heden says.

New Direction

The psychologically and physically very demanding coastal defense training has changed in recent years. A complete test has been introduced to fit the training of the draftees.

A physical training program has been introduced to strengthen the body, not to wear it out. Psychological motivation is tested accurately. The dropout rate for the 120-300 coastal soldiers trained each year is now about two to three percent, compared with 30 percent a few years ago.

This year's coastal soldiers in the exercise, "Arctic Ocean," will play an important role in the new threat that the coastal defense is gradually adapting to, and the coming agreement will support this role.

A future archipelago war will be mobile and very hard. An invasion attempt against Sweden can be decided in an archipelago war.

The older idea of a military threat was that large naval forces would attack Sweden after a long warning period, and that hordes of soldiers would stream ashore on the archipelago islands. But the modern weapons Sweden has at its disposal would cause an attacker huge losses in human life and material.

Air Attack

It is easy to destroy large troop transport vessels with missiles and artillery. An enemy attack on Stockholm's archipelago must now come rapidly from the air. With a short warning time, the enemy will attack with aircraft, attack helicopters, and landing forces, and he will dig in firmly in one or more support

points. The local area will be secured, and then larger resources can be brought in.

The task of the coastal defense is to hit hard and destroy the enemy in this beginning phase, before he has firmly dug in.

An amphibious battalion of 700 men with great mobility and high striking power is now being established to meet this threat. The battalion will fight in depth in the archipelago and have its own transportation resources. In the battalion there is a missile platoon, which has the American-made "Hellfire" missile as its main weapon. It is a missile with homing devices and with a range of about six kilometers. The mortar company has eight centimeter mortars.

Two coastal defense companies will become the amphibious battalion's attack units. They will storm in and destroy the enemy. Combat will often take place at night. The coastal defense weapons are the automatic carbine AK 5 with support weapons such as light machine guns and grenade rifles.

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DEFENSE AREA COMMANDER: HALT EAST BLOC ESPIONAGE FROM TRUCKS

Stockholm DAGENS NYHETER in Swedish 4 Mar 87 p 3

[Op Ed article by Colonel Einar Lyth, Defense Area Commander for the Orebro Defense Area]

[Text] Do the police, the defense forces, and the customs service coordinate their work against the shameless and arrogant espionage being conducted from trucks from the Eastern countries? Which department and which government office has the main responsibility for countermeasures? Colonel Einar Lyth, Defense Area Commander for the Orebro Defense Area, asks these questions as he demands action against foreign truck traffic in Sweden.

Foreign secret service against our country has in recent years become more open than before. Quietly operating foreign agents and their Swedish collaborators have been joined by more unrestrained and slapdash colleagues.

We have had to do with "picture sellers" who map out key Swedish military personnel, particularly those who have important assignments in defense against surprise attack. Along our coasts we have submarine operations, which according to a unanimous defense committee are probably mainly occupied with preparations for possible crisis and crisis situations. It probably has to do with the mapping of port entry defenses, which in a coastal invasion are necessary for the unloading of invading troops and materiel.

We have also sealed up trucks that have been checking out the quality of our roads. They are conducted in all likelihood by tank officers who want to find rapid paths through our country.

I will not describe the operative and security-policy side of this activity. Instead I will describe the forms of the activity.

The striking thing is the audacious openness with which the espionage takes place. Here the finesse and carefulness that marks the way the superpowers deal with one another is missing. It is more like a contemptuous nonchalance that the superpowers display toward underdeveloped countries. It is also clear that the spymasters methodically exploit our open society in a way that must be considered insulting.

The picture sellers do not even protect themselves by visiting everyone along a street. They go directly to their superior's house. Trucks are driven empty for long stretches where no loads are to be found. When they are checked, they give explanations that lack any trace of credibility.

Legally it is hardly possible at present to approach them. We have few regulations that limit foreigners' freedom of movement. Vehicles with suspicious equipment or appearance cannot simply be stopped and checked. If a group of foreigners is seized on suspicion of a violation, we have to prove who did what. If all remain silent, all must be let go. Our legal regulations and limited inspection authority are clearly a part of a spy's training.

One can find various explanations about why the espionage is done in this way. It can be the usual arrogance of a superpower or a power demonstration with the purpose of humiliation, or quite simply the easiest way of gathering the most possible information in a short time. No matter what the explanation, it is reasonable to assume that they are testing how far they can go before they meet resistance. When shamelessness brings progress, it can easily become impudence.

Should we not stop this espionage? This is one of the most common questions I get out in the country as a defense area commander. I understand well that it is the openness in our society that we consider to be valuable, and that we cannot want to change the society in a more closed direction simply to defend against espionage. I emphasize that we must treat all foreigners equally and that we cannot, for example, have special rules for trucks from the Eastern countries. I want to point out also that if we succeed in stopping espionage from trucks, the espionage will go over to Swedish registered private passenger cars.

When we urge people to report observations to the police, the natural question follows: "What countermeasures are the police taking? Who follows this up?" Here we come into an area in which I have no special knowledge. Which authorities handle and coordinate this? Some units of the defense forces? The police? The customs office? Who in the government? What is the position of the Riksdag on this?

The defense minister's answer to Riksdag member Gudrun Norberg's question in the Riksdag and Gudrun Norberg's comment (NA-NT 2 January) leaves me unsatisfied. What answer shall we civil servants in country districts give to excited questioners?

If we have no answer, we risk the reaction: "Clearly the idea is that espionage is to be permitted. If we are not going to defend ourselves against espionage, there is no sense in reporting." Afterwards comes the most serious question: "Is there then any intention at all of defending our society?"

In this light, I consider it important that information be provided on this matter and that some form of countermeasure be taken.

The information we want to know is: Do the police, the defense forces, and the customs office work together on these matters? What has been the result? Has any tightening of control been made in the past five to ten years? Which department and which government office has the main responsibility for counter-measures?

As for countermeasures, one should try routine measures by the customs office primarily upon entry and departure over our borders. The computer system now being introduced into the customs office should be used to record more detailed information on foreign trucks on the type of vehicle, size, drivers, etc. As things are now one cannot be certain that the rig that leaves Kapellskar is the same one that came in at Helsingborg.

Moreover, one should try to direct foreign truck traffic to certain routes (road maintenance and traffic safety also speak for this) or to a previously arranged route. For those who feel this cannot be carried out, I can point out that we already have such direction into certain routes as well as supervision and control of the very extensive highway transportation of environmentally dangerous goods. The problem could therefore be solved. Finally, tighter time limits should be set. As things are now, the truck and the driver can stay in the country for an indefinite period.

Measures against the shameless and arrogant espionage have become a question of confidence. In the end it has to do with a democracy's right to self defense. We demonstrate this on the military level. It must be demonstrated in other areas as well, among other places, in defense against espionage.

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NAVY SEEN ERRONEOUSLY BELIEVING IN BLITZ TYPE ATTACK

Stockholm DAGENS NYHETER in Swedish 5 Mar 87 p 5

[Op Ed Article by Major General Bengt Liljestrand, former head of the defense academy: "Does the Naval Staff Believe in a Blitz Attack?"]

[Text] The differences between the political parties' proposals on defense allowances for the period July 1987 to June 1992 range between 0.5 and 1.3 percent. Nevertheless, sharp opinions are being made in the debate. It would go against the purpose of this article to give examples. But let us look for some of the reasons for this exaggerated sharpness.

One of the reasons is the partially interest-stressed stream of information and opinions on our coastal defense that have come from the naval staff to the press and the general public. But it is the supreme commander and not the naval staff who has the responsibility for supervision and intervention. Regionally it is the responsibility of the six military commanders (MC). It is therefore primarily the supreme commander and the MC who should present balanced viewpoints and demands for defense developments.

A recent example of the naval staff's over ambition is that one of the staff's section chiefs (Commander H. von Hofsten) in a speech for Swedes abroad delivered a dramatic description of an imagined, isolated blitz attack against Sweden. But the isolated blitz attack has little in common with the published thoughts of the defense committee and the supreme commander on the bases for our defense planning.

It is to the lecturer's credit that he stressed that he was only presenting personal viewpoints. But the challenging title of the lecture was, "Blue-eyed Sweden -- on Swedish Insecurity Policy."

This destructive propaganda is unfair to the defense forces and their reputation. Therefore it was a useful addition to the defense debate when a cabinet minister spoke out and somewhat harshly disagreed.

Another reason lies deeper. The 1978 defense committee suggested that one should remove from the total defense goal that idea that "Defense against invasion will be the most important mission of defense."

The proposal met compact resistance among authorities concerned. Then County Governor Nils Horjel: "Inconceivable for the authorities in those sections of Sweden where the word invasion and invasion defense has been used in planning for decades." Sweden's Communist Party: "If it is not the most important task of the defense forces to defend us against an all-out attack that aims at the control of the whole country, why should we have a defense?" Nevertheless, the nonsocialist government and the Riksdag approved the committee's proposal. But after the change in governments Defense Minister Anders Thunborg handled the situation by entering into the budget proposal 1983/84 (Proposal No. 100) the opinion, "Defense against invasion is just as earlier the primary mission of military defense." The Riksdag approved.

In the final opinion from 1984's defense committee, one can read that "Defense against invasion is the foremost starting point for the development of the defense forces." But the committee did not enter this important thought into its proposal for "Total Defense Goals," which the committee feels "must be modernized."

There are interested parties who, as far as "Total Defense Goals" are concerned, speak and work for broad, elegant formulations in preference to more precise ones. For them there is no temptation to ask the county governors, military commanders, and organizations affected for their experience, views, and opinions. Politicians can certainly change their opinions later, as happened in previous defense considerations. But in the long run such a procedure has negative effects on credibility.

Our present defense is not the result of one year's work and one year's defense proposal of about 15 billion. Nor is it the result of ten years' work and ten years' proposal of a sum of about 150 billion in investments of various kinds: training, materiel, salaries. It is the result of 50 years' continuity and reforms with the purpose clearly in mind. Therefore we have today a respectable defense against invasion.

Repeated exercises are the quintessence of security policy in defense. An attack against us can certainly not come as a lightning bolt from a clear sky. Some form of "political warning" can be counted on. But we do not want to have a preparedness system based on the idea that the government in an "urgent situation" -- perhaps too late -- decides upon supplementary training. The commonly agreed upon system with peace exercises must be maintained.

In October 1986 one of the Liberal Party's members in the Riksdag's defense committee (K. Ekman) questioned whether our gradually acquired "coastal corvettes" have "realistic possibilities of surviving (in a future) threat environment." But Ekman thought the question was of less significance "if the vessels are just to be used for peace time submarine chasing."

No, the question is not of less significance. Especially not if the acquisition in themselves desirable vessels occurs at the cost of the number of aircraft and at the cost of military refresher courses, an indispensable contribution

to confidence in defense.

Ekman's reasoning shows that "Total Defense Goals" should give clear information about the "most important mission" of defense.

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ARMED FORCES COMMANDER DISSATISFIED WITH DEFENSE PLAN

Stockholm DAGENS NYHETER in Swedish 5 Mar 87 p 18

[Article by Anders Ohman: "Dissatisfied Commander-in-Chief Seeks Debate"]

[Text] "The wrong things have been discussed by the politicians on the eve of this year's defense agreement. Instead of discussing defense goals with the Swedish people, there has been talk of a number of Viggen aircraft and coastal corvettes. We must have a better defense debate before the next defense agreement in 1992.

Commander-in-Chief Bengt Gustafsson said this at a meeting with reporters in Stockholm Tuesday evening. The commander was in an aggressive, argumentative mood and took up several controversial questions that concern Swedish defense policy.

It was a rather annoyed commander who commented on the coming defense agreement, which above the basic level gives defense 6.2 billion kronor in the coming five years. The commander had earlier commented on the agreement in positive terms as a "trend breaker."

Sometimes Cowardly

Now he said that the increase slows the pace of the disarmament of the Swedish defense forces. In answer to the question on why he did not speak out sharply from the beginning, the commander answered, "Sometimes I am cowardly."

Commander Gustafsson wants to have a better and more knowledgeable discussion with the Swedish people. The defense staff is now preparing a new strategy of information on how to do this. A concrete discussion of goals coupled with imaginary war situations will be drawn up. It can deal with the ability of army tank brigades to meet Soviet or American tank divisions on the plains of southern Scania, or what is necessary to meet a Soviet air division of 7,000 to 8,000 men that are landed on the Swedish eastern coast.

It became quite clear that the commander wants a real debate on Swedish defense doctrine which says that all of Sweden shall be defended. Is it realistic to fight for Scania as hard as anywhere else, or Gotland?

Self-Critical

The commander was also self-critical in his analysis. The military leadership was unsuccessful in achieving a debate on the mission of the defense forces.

The commander said that the next five years up to the new defense agreement will be a continued "conjuring act." The future organization of the army is one of the commander's main concerns.

Twenty attack brigades and strong local defense units may be brought into the new army organization. An inevitable decision will be made on whether Sweden will try to develop a new tank or buy one from abroad. The West German tank, "Leopard," has been mentioned in this connection.

The commander fancies buying a tank from abroad and renovating the older fleet of tanks. He also questions whether the defense forces need as many tanks as there are today -- the number lies between 500 and 1,000 units.

A Matter of Billions

To develop a new tank costs several billions. Four tank brigades are being formed today for Scania's defense. Since the government has asked for the commander's opinion on the peace organization by fall, the tank issue must be solved promptly.

"I hope we make this decision ourselves," Gustafsson said. He said that a modification of Tank 103 "S" was reasonable.

A hundred "Leopard" tanks can be bought. The commander does not think that the defense forces have the resources to win a tank battle on the fields of Scania. On the other hand, the tanks can be very useful in recapturing and destroying ports and airfields that are attractive to the enemy.

As for future defense costs, the commander stressed that between 3.0 and 3.5 percent of the Swedish gross national product will be necessary throughout the 1990's if the defense forces are to maintain their effectiveness.

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LACK OF TRAINING OPPORTUNITY SEEN HURTING READINESS

Stocjholm DAGENS NYHETER in Swedish 12 Feb 87 p 6

[Article by Anders Ohman: "Soldiers Can't Handle Demands of War"]

[Text] Is it responsible to put youths in war if they are not trained to handle the demands of war? A number of drafted corporals of Army Unit I 1 Svea Kungsängen outside of Stockholm ask this question.

The conscripted soldiers of the rifle company are only allowed to shoot a maximum of 50 rounds a month, live or blank. This corresponds to ten seconds of automatic firing. An antitank platoon has received ten shells a year to fire -- compared with 200 shells last year.

"The Svea Guards will produce 800 Rambo boys this year who can perhaps protect themselves in a crisis situation but hardly do anything more," the dissatisfied corporals write in an open letter.

The expression of dissatisfaction is shared by the regiment command. "Twenty-five million kronor has been thrown away. It would be better to send the draftees home and ask them to come back next year," one of the command, Captain Jonas Froberg, said.

On Tuesday DAGENS NYHETER brought one of the dissatisfied ones, Johan Palm, together with the regiment leadership of I 1.

The reason for the open corporals' letter is the deteriorating economic situation in the army. The Svea Guards have a shortage of about 28 million kronor and have been ordered by the army leadership to cut down on operations.

"Is it reasonable to reduce the budget by a few percentage points when this ruins training?" the corporals ask, as they report on their situation in their open letter.

Shorter Duration

"A seemingly widespread opinion among our leaders is that one can shorten the training to three months with hurting combat ability." The leaders are forced to spend a long time on the few exercises the companies can afford. Some of the

troops are idle, and the leaders have started to give the draftees jobs instead of training them.

The corporals' letter tells of 16 officers from I 1 who recently have sought civilian jobs in a DAGENS NYHETER advertisement because they could not train the draftees in a complete way.

Lieutenant Colonel Claes Holmgren confirms the serious situation in I 1. "It has gone so far that we do not achieve the training goal. The soldiers cannot be assigned combat positions as was the intention when they arrived," he said. Holmgren is responsible for I 1's military assignments.

Both the army commander and the defense committee have visited I 1 and investigated the situation.

The mission of the Svea Guards is to train one local defense rifle battalion per training session. This is the last year. Afterwards the training will be for an infantry brigade.

Too Little Shooting

The reason the yearly training goal is not being reached is that the soldiers fire too little. They also lack training in house to house combat. With the new threat of surprise attack against Stockholm with the use of sabotage units this combat technique is necessary.

Firing training with automatic weapons of the type AK 4:a and combat pistol has been severely limited. Antitank ammunition cannot be used, nor can ammunition for grenade rifles and grenade launchers.

"The soldiers cannot shoot a hole in an armored vehicle. They have not been trained to do this. The pity of it is that only 2.5 million kronor is lacking," Jan Ostlund said, major and deputy battalion commander.

Survival

Lieutenant Colonel Henrik von Vegesack, battalion commander, says that this year's contingent of soldiers have received a general military training. They can shoot, handle their equipment, manage some medical duties, and they have learned some things about how to survive in combat.

What is lacking is positional training, the ability to perform their duty in a large group, a battalion of about 800 men.

"They can survive very well, but they cannot work together," he said.

The training goal has not been reached after an investment of 25 million kronor. According to Captain Jonas Froberg, an experienced platoon commander, this is simply a waste of money.

"Send the draftees home that are here now and work on next year's unit. I think it is strange that the army leadership could have let things go so far. It is harmful to the morale of the command," Froberg said.

The coming week's job for the dissatisfied corporals is a search for mines and grenades in Jarna after the exploded ammunition supply. Afterwards there will be a cleanup in the woods around Kunsangen so that next year's infantry brigade will be able to fire live ammunition. All large twenty-four hour exercises have been included in the battalion and final exercise. There is not enough money for company exercises. "How are the leaders to develop and test their ability to operate under field conditions," the dissatisfied corporals wonder.

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ARMY OFFICERS TO GET MORE PAY IN DRIVE TO SLOW DEPARTURES

Stockholm DAGENS NYHETER in Swedish 3 Feb 87 p 12

[Article by Anders Ohman: "Big Wage Hikes"]

[Text] The army's approximate 16,000 officers will get 40 million kronor in the wage kitty according to the agreement made at the end of the week. The wage agreement includes high wage increases for many officer groups -- particularly for those inclined to leave the army for more enticing civilian jobs.

A colonel who earned 14,626 kronor a month will receive under the new agreement a salary of 16,551 kronor -- an increase of 1,925 kronor.

A lieutenant colonel in the army's technical corps can with all the new allotments receive a salary increase each month of 3,000 kronor.

Of a total of 39.2 million kronor, 25.5 million was divided centrally in an agreement between the army staff (the head of the army) and personnel organizations.

A remaining 13.7 million kronor will now be divided in local negotiations out in the regiments.

The army staff is satisfied with the agreement reached.

"It is a step in the right direction, a sign that we are trying to do something," Bjorn Wickstrom, lieutenant colonel and chief negotiator for the army staff, said.

Special Pool

The army staff's salary decision is the result of last year's central wage negotiations between the government's employment office and the personnel organizations. A special pool was allotted to defense. The various defense branches have negotiated on this special pool, and the army was the first to get ready.

Three groups of army officers are affected by the agreement, which allotted 25.5 million kronor. For highly qualified officers the agreement contains an increased possibility of getting higher salaries in coming negotiations.

Officers in the army's technical corps receive a special technical raise, which varies. A captain in the army's technical corps who before 1 October 1986 had a monthly salary of 11,218 kronor now has 12,392 kronor -- an increase of 1,174 kronor.

The younger officers receive a special troop training raise of 300 kronor a month. Besides this, they receive a general salary increase, together with changes in the path to promotion. All together this should, according to the army staff, give the profession "a somewhat better economic attractiveness."

A recently graduated second lieutenant had as a monthly salary before 1 October 1986 7,615 kronor. The new monthly salary is 8,678 kronor -- a salary increase of 1,063 kronor.

A young captain who was selected for promotion in troop duty who had a monthly salary of 9,314 kronor receives in the new agreement a raise of 1,070 kronor to 10,384 kronor a month.

The agreement's new technician raise varies per month between 400 kronor and 1,500 kronor.

Wage Agreement

The army's wage agreement particularly affects the categories of officers who are thinking of leaving or have left the army for civilian jobs.

These are mainly younger officers, second and first lieutenants, technicians in the army's technical corps, together with higher-ranking officers of the first level, so-called general staff aspirants.

In the army there are about 16,000 officer positions, of which 1,100 are vacant. Almost 500 officers left last year.

The Swedish Officers' Union (SOU) is satisfied that the wage negotiations with the army leadership went quickly.

"There has been a certain change in attitude on the investment in officers. This probably has psychological significance for our members -- that they feel appreciated," Rune Carlsson, first lieutenant and ombudsman for SOU, said to DAGENS NYHETER.

The civilian employees in the army will also receive some wage improvements, in spite of the fact that most of the money will go to military personnel. Foresters receive the largest raise. Personnel in machinery and supply will also get wage hikes.

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MILITARY TO INCREASE GUARD ON DEPOTS FOLLOWING THEFT

International Gang Behind Raid

Stockholm SVENSKA DAGBLADET in Swedish 27 Jan 87 p 6

[Article by Sune Olsson: "International Gang Behind Action in Jarna"]

[Text] There are several details that indicate that the robbery of the military depot in Jarna that preceeded the explosion is connected to an extensive criminal economic operation.

Swedish explosives have been discovered abroad before, and reports from foreign authorities to the Swedish government tell of Swedish weapons being used in political assassination attempts. An example is the unsuccessful attack on the Iranian Shah's sister.

At the same time there is information that they have, among other things, taken part in the murder of a hungarian on Bergsund Beach in Stockholm so that expensive cars stolen on the continent could be supplied with false papers and sold in Sweden. There have also been reports of drug deliveries.

Large Profits

From all the material gathered there arises the picture of a rather large, tough, and dangerous gang of criminals whose interest is in large profits.

The large group no longer seems to be intact, but since then persons in the group have been active in various connections. It was precisely this gang's members that were connected with the theft and bombing of the Jarna depot and with armed robberies in, among other places, Vagnharad.

Arms Operations

In previous break-ins, it can be noted that the thieves who a year or two ago robbed a large depot near Katrineholm cut up the steel door with blow torches. Explosive paste from the depot was found last year in France, outside of Paris. Somewhat earlier a similar break-in was made in a large depot in Sollentuna. Wrapping paper for the explosive paste from there was found in connection with the bombing of the Fountainebleau Restaurant in Stockholm.

The explanation of why they bombed the Jarna depot may simply be that they did not want the police to find any connection with other operations. They didn't want to leave any clues, and they did not want the police to be able to figure out what had been stolen in Jarna. Later discoveries by the police also indicate that the robbery involved arms deals. Grenade rifles, grenade mines, and large amounts of explosives are hardly suitable equipment for armed robbery, the exploding of bank boxes, and things of this type.

Waiting for Details

All of the large criminal complex is now being investigated by three different groups in three different sections. The armed robbery in Sormland is being investigated by, among others, the criminal police in Nykoping with the chief prosecutor there as the main investigator. The robbery and bombing of the depot in Jarna is being handled by the Sodertalje criminal police with the help of members of the national police. Finally, the murder is being investigated by the Stockholm violent crimes squad. But both the Sodertalje investigation and the murder investigation are working closely with the Dutch police.

Up to now all the material from Holland has not been received. The Stockholm criminal police are still waiting for information on the murder. But in Sodertalje several important points have been cleared up.

The Sodertalje police and the national police started without any direction, but gradually four clues crystalized that were significantly more interesting than the others. One of these was directly connected to the release of a Dutch drug dealer and a Swedish robber from Hall Penitentiary. Afterwards it was learned that at least one of these two was in Holland. It was also known that he had with him, among other things, grenades that could have come from Jarna. But it was not known where the man could be found.

Woman Released

When the Dutch police moved against the two gang members there who were suspected of the murder of a policeman in Belgium, the bits of the puzzle began to fall into place. The equipment confiscated in this connection could clearly be identified as stolen in Jarna.

One of the men in Holland is of great interest for the investigation in Sweden. But one will probably have to be satisfied with information. It is the same man for whom extradition to Belgium has been requested in connection with the murder of the policeman. Considering the very close cooperation in legal questions between Belgium and Holland, it is probable that he will be extradicted to Belgium and come to Sweden only after he has served his time.

On Wednesday at the latest Chief Prosecutor Thorsten Jonsson must decide whether three of the persons seized in Sweden are to be requested for arrest by the Sodertalje court.

The fourth, a woman, has already been released after it was shown that the large supply of weapons and explosives the thieves stored in her summer cottage

came there without her knowledge. The cottage is operated in part by another person involved.

Increased Protection Ordered

Stockholm SVENSKA DAGBLADET in Swedish 19 Feb 87 p 12

[Text] After the bombing of a military ammunition depot in Jarna the military will improve the protection of its various depots.

Among other things they are thinking of installing armored doors that are more difficult to force and to obtain more caissons, a sort of locker for weapons and ammunition. However exactly how extensive the expenses will be and what measures the military finally will select is still uncertain.

"It is of course a question of priorities. How much should one spend on improving the protection of our mobilization supplies? And how much should one spend on other things?" H.G. Wessberg, press chief for the defense staff, said to TIDNINGARNAS TELEGRAMBYRA.

A few days after the so-called Jarna bang a military investigative group began an investigation that proceeded parallel to the work of the police. The purpose was to see what caused the explosion and how protection of military supplies could be improved.

On Wednesday the group delivered a partial report to Commander-in-Chief Bengt Gustafsson that said that the military preparedness and mobilization system functioned well, but that further improvements were necessary.

"Compared with civilian supplies, we have relatively small losses of weapons and ammunition. In round figures 80 weapons a year disappear, of which 20 are found again. But of course it is obvious that if weapons disappear from a military depot, it is given extensive coverage in the mass media," Wessberg said.

Defense's loss of weapons was greatest in the 1960's when 200-300 weapons disappeared each year from theft and loss. But in spite of the fact that almost half of the weapons were found again, the military decided that several different measures should be taken.

Caissons, security cases, and weapons cases were obtained, and rules for supervision and safe-keeping were tightened.

In just a few years one was able to halve the amount of weapons that disappeared, and it was found that most of them disappeared because of bad treatment in dwellings, during exercises, transportation, etc.

An additional small number of weapons had disappeared in connection with break-ins in caissons and weapons cases. Not one single weapon had been stolen from a security case.

Investigation Widens

Stockholm SVENSKA DAGBLADET in Swedish 28 Feb 87 p 6

[Article by Claes von Hofsten: "Weapons Still Adrift After Action in Jarna"]

[Text] The police in Sodertalje believe that there are still weapons adrift from the break-in that preceeded the bombing of the military depot in Jarna.

During questioning of suspects, two have admitted that they took part in the break-in and bombing. They say that they went to the depot three times and filled a car with various weapons, ammunition, and explosives.

According to the police investigation, the thieves took between a quarter and a half hour to drive off with a load and come back. Therefore the police assume that the thieves' storage place is in the Jarna district, but still on Tuesday only an amount of stolen goods corresponding to two carloads had been found.

Many Tips

Criminal Chief Ake Saaf in Sodertalje reports that the police have received many tips from the public to work on in the search for the missing equipment.

On Wednesday the prosecutor will decide whether he will ask that the three persons arrested be booked.

Another three persons are suspected of having to do with the Jarna investigation, but they are all in jail elsewhere, suspected of other crimes.

For two of these it can be a long time before their possible participation is investigated by the authorities in Sodertalje. They have been arrested in Holland on suspicion of murdering a policeman.

Earlier it was said that one of the arrested persons in Holland had admitted a murder in Stockholm last fall. This report was denied on Tuesday by the Swedish embassy in Haag and by the Stockholm violent crime squad, which said it was extremely doubtful about the report of admission.

On Tuesday the foreign office sent a report to Holland saying that Sweden will ask that the two arrested in Holland be extradited. This will not, however, be primarily because of what the Jarna commission reported. It will come instead from a request by the prison authorities.

It is not certain that they will be extradited to Sweden. Belgium, too, wants them extradited there for the investigation of the police murder.

Sweden and Holland are both members of the European extradition convention. However, Belgium is not. Instead it has a bilateral extradition agreement with Holland. Therefore it is not clear which request will take priority.

9124

CSO: 3650/82

EMERGENCY PREPAREDNESS OPPOSES PLAN TO REDUCE STOCKPILES

Stockholm DAGENS NYHETER in Swedish 3 Mar 87 p 8

[Article by Bengt Falkkloo: "Supply to be Sold Out"]

[Text] If the Swedish emergency stockpiles of various metals are sold, the steel industry will have to close rapidly and after that firms such as Volvo and Saab. But the stockpile will be sold so that the state in this way can obtain 500 million kronor in five years.

In the Swedish defense stockpile there are goods to supply the country in case of a blockade or if the country we import from should come into a crisis.

If all the goods are sold according to the directive we have received, there will be very dire consequences," General Director Gunnar Nordbeck of the National Board for Civil Preparedness (NBCP) said.

South Africa

This has primarily to do with the metals Sweden has imported from South Africa and stored: manganese, chromium, vanadium, and cobalt, for example.

"These metals are indispensable in the Swedish steel industry," Nordbeck said. Sandviken, Lulea, and Domnarvet will have to pack up and close very quickly. And afterwards the rest of the engineering industry will follow.

But the government wants to obtain money from the sale. The economy itself must take the responsibility for maintaining these metals for production.

"Naturally I hope that the Swedish industries will buy from us. But otherwise we will act precisely as usual. We take in bids and sell according to the market metal prices.

Industrial representatives have not yet been informed of this. Nordbeck will call them in to meet when the decision has been made.

Hit Hard

It is not just metals that can be in short supply in Sweden if this sale is approved in the Riksdag.

"We have large supplies of oil and petrochemicals that will also go," Nordbeck said. "In the stockpile we have 14 million cubic meters of oil. In the NBCP we have ourselves said that we will reduce this to 10.5 million, but now they want us to reduce it to eight million. But this is a completely unacceptable level."

As far as petrochemicals are concerned, everyday life will be hard hit.

"Petrochemicals are used to make plastic. If this stockpile is gone, there will be a stop in health care, because all disposable articles will be used up.

"In everyday life the food industry will be hit, because the food cannot be packed as before. In the earlier oil crisis, milk distribution almost came to a halt because the plastic film on the milk packages ran out," Nordbeck said.

The automobile industry will also be hit. A Volvo, for example, contains 200 kilograms of plastic.

Nordbeck thinks one should take the German metal strike of a few years ago as a warning signal. Afterwards the Swedish automobile industry reported that Bosch, because of its monopoly on electronic equipment, was close to strangling the Swedish automobile industry when it could not deliver electronic equipment to Sweden.

Concerning the protection of the population in war, there will also be a reduction in the construction of air raid shelters. This will now be prioritized by risk area. Previously the plan was for every Swede to have an air raid shelter location both at home and at work. But at the rate one was building, this would not have been accomplished before the year 2020.

"Now we will concentrate on the areas where the risks are greatest," Nordbeck said.

9124

CSO: 3650/77

CONSERVATIVES URGE BUILDING UP FORCES ON WEST COAST

Stockholm DAGENS NYHETER in Swedish 3 Mar 87 p 8

[Article by Kerstin Sedvallson: "West Coast Must Have Better Defense"]

[Text] A new Viggen division must defend western Sweden. Maritime traffic to Goteborg's harbors must be better protected. A submarine unit must be based on the west coast. The patrol boat division of the western naval command must be expanded and the vessels held in readiness year round.

These are some of the proposals the Moderates presented in the Riksdag in order to get a better defense for the west coast.

"It will be very bad for Goteborg if an attack comes, Moderate Riksdag member Lars Tobisson said, as the Goteborg Moderates on Monday painted a picture of the unprotected west coast that has been hit hard by the years of reductions in the defense forces.

Western Sweden is highly vulnerable. Here there is a petrochemical center with 90-95 percent of Sweden's production. Fifty percent of the foreign trade in foodstuffs goes through west coast harbors, and 20 percent of the country's air cargo goes over Landvetter.

All in all there is in western Sweden a very large part of Swedish industrial production with a series of industries and firms that are decisive for our support. And this production is in large part dependent upon imported goods. A Volvo, for example, consists in half of imported parts.

"This makes western Sweden attractive as a base area in a possible conflict in northern Europe," the Moderates point out.

Goteborg has large harbors with piers with deep water, technical equipment, depots, and highly technical wharf capacity.

Besides this, the harbor is, according to the Moderates, easily accessible to all vessels year round. Strategically valuable are also the well-developed land and railroad net as well as the area's three airports.

The Moderates are also concerned about Swedish shipping, for today Swedish vessels and Swedish seamen can only handle a fraction of our supply.

Now that the Riksdag this spring will set future defense policy as the Social Democrats and the Liberal Party have agreed upon, the Moderates are demanding that money from the budget must also be concentrated on the defense of the west coast, and not just the east coast and the northern areas.

9124

CSO: 3650/77

LABOR, INDUSTRY COOPERATE TO IMPROVE REFRESHER TRAINING PARTICIPATION

Stockholm DAGENS NYHETER in Swedish 3 Mar 87 p 8

[Article by Rolf Eriksson: "Refresher Training Will Become Popular"]

[Text] Sweden's managing directors, with SAF's managing director, Olof Ljunggren, Elektrolux's managing spokesman, Hans Werthen, and PLM's managing director, Ulf Laurin at the head will help reduce the number of requests for postponement of refresher training.

With personal letters to all managing directors and a newspaper supplement from the compulsory national service office, the group is arguing for the civilian value of having the reserves complete their refresher courses.

"The many requests for postponement are a big problem for the military units. Many of the reserves serve as platoon leaders and company commanders," Major General Ingvar Rittsel, head of the compulsory national service, said to DAGENS NYHETER.

Today every fourth reservist requests postponement from refresher training. The majority want postponement because they have important jobs and various projects they cannot get away from.

Brown Envelope

This is the reason why the compulsory national service office is now going out in a different and unconventional way to reduce the number of requests for postponement.

It began with all the country's 78,000 managing directors receiving a brown envelope from the compulsory national service office. But they did not contain any calling up orders, but a request to read a special refresher course supplement included in the newspaper, DAGENS INDUSTRI, on Friday. The supplement is called "Refresher Training."

In the letter the hope is expressed that the managers, after having read the supplement, will allow their employees to complete their refresher training.

"This is a somewhat different campaign. We want to try something new. A newspaper supplement will go out to many company managers. We are appealing to the companies to try to plan a month's leave for their employees who are subject to recall and needed in the military organization," Rittsel said.

"Possibly we will repeat this effort next year if we note that there are fewer requests for postponement."

Leadership

The office has produced the newspaper supplement together with a private public relations company in Stockholm. The cost of the operation will be covered in large part by the advertisements included.

Besides information from the compulsory service office on the civilian value of refresher courses -- "An intensive course in leadership, decision-making, motivation, administration, and organization. That takes place 24 hours a day. Combined with free physical training" -- it provides several businessmen the opportunity to give their opinion in the supplement on the value of refresher training.

SAF's managing director Olof Ljunggren took the opportunity to demand a longer warning period. The company should have at least eight to ten months advance warning on recalls, and at least a year before the order.

"We believe that the young men who fulfill their required training learn many things that directly or indirectly are of value in their working life. This is the way it has been for me as I, in the middle of the 1950's, was trained in conscript duty with the Royal Svea Guards," Ljunggren said.

PLM's general manager, Ulf Laurin, also expresses his positive view on refresher training: "There is no doubt that refresher training gives invaluable training in decision-making, administration, and organization. I took great pleasure in my military training, and it was valuable to me even in my development to manager."

Ulf Laurin also points out the value of the beneficial physical training, with all the positive effects that military life brings.

In conclusion he says, "Of course military life can be strenuous, but this makes it easy for a person such as me quite simply to approve of it."

Enthusiasm

On Friday then, Sweden's managers will be able to take a position on the newspaper's supplement with the compulsory service office's campaign for refresher training. At the compulsory training office in Karlstad expectations are high. In all, 100,000 men are recalled to refresher courses each year. Of these, 27,000 request postponement.

"I fully understand that at times the exercises can be inconvenient, but we have the responsibility of military duty. Therefore the recall should not come as a surprise either for the employer or the individual person," Rittsel said. He hopes for great refresher training enthusiasm and fewer requests for postponement.

9124

CSO: 3650/77

PRINOS CONSORTIUM NATIONALIZATION DISCUSSED, ANALYZED

Athens I KATHIMERINI in Greek 15-16 Mar 87 pp 7, 13

[Article by Kostis Stamboulis: "The Daily Yield of New Deposits is 17,000 Barrels"]

[Excerpt] The government's decision to nationalize the consortium which exploits Prinos oil with a bill it introduced in the Chamber of Deputies raises many questions on the logic of such action.

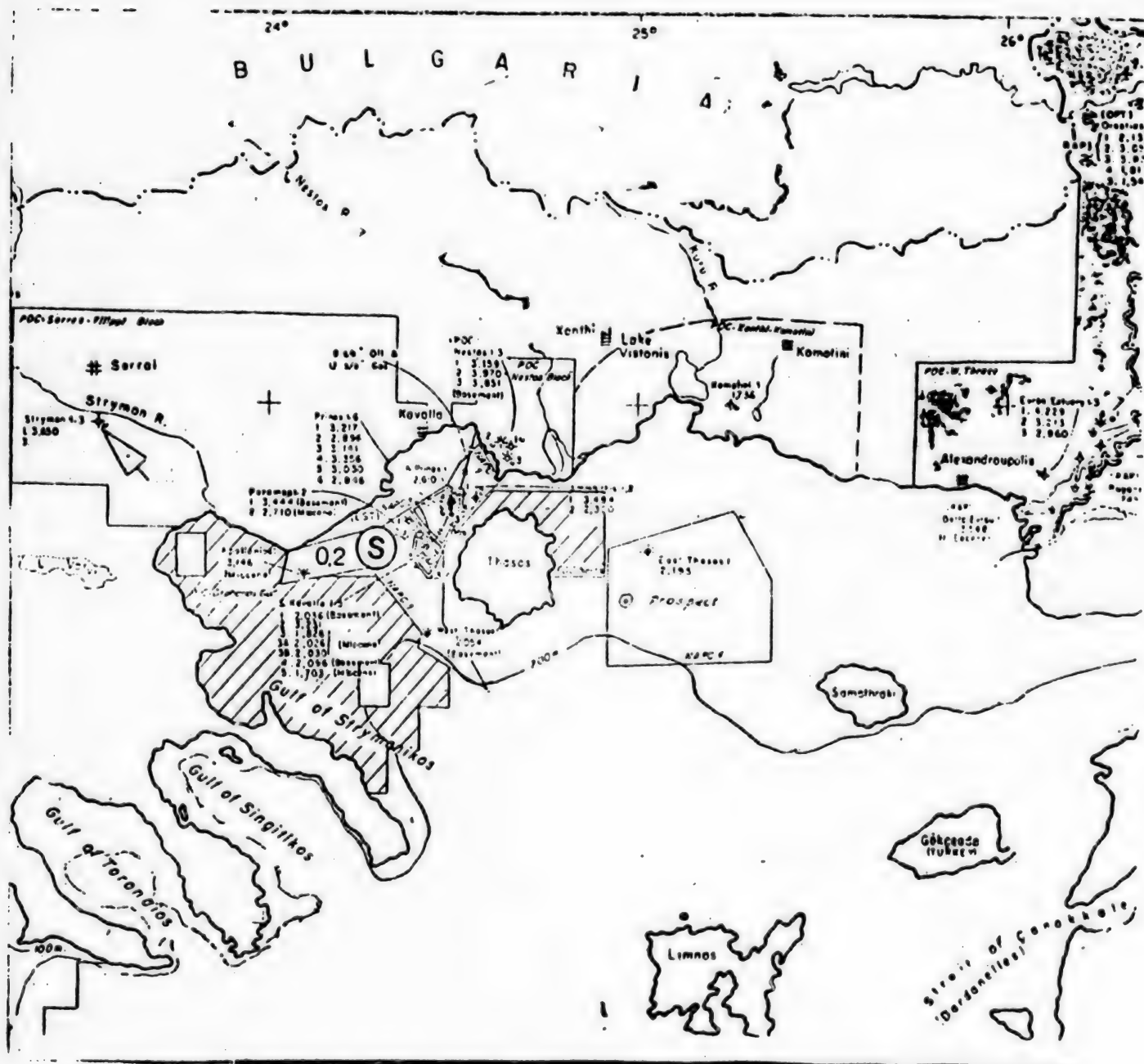
The government position that nationalization of the consortium is simply a special and isolated case seems to be anything but persuasive. On the other hand, it is evident that the government's action is being exploited by Turkey, which is trying to reap any benefits.

Analyzing the reasons behind the government's decision, diplomatic and economic sources are expressing serious doubts about the existence of a Turkish threat as long as drillings are made in Greek territorial waters and within the Greek continental shelf (that is, at a depth of less than 200 meters).

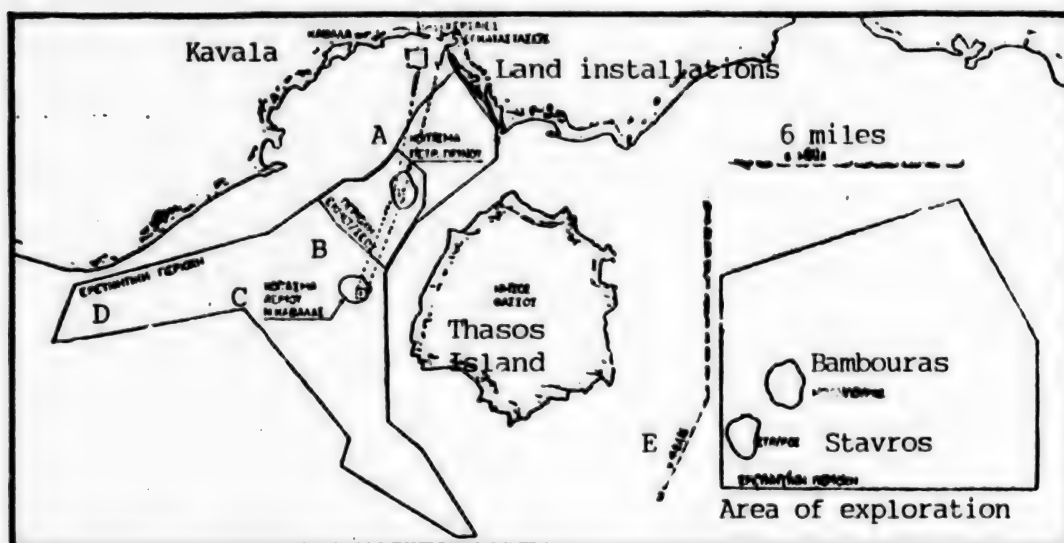
As is known, the consortium made geophysical explorations 13 miles east of Thasos (field of Eastern Thasos) in 1971 and drillings beyond the 6-mile limit west of Thasos in 1978. Also, the Public Petroleum Corporation [DEP] had drilled in the Strymonikos Gulf beyond the 6-mile limit but within 12 miles. In all these cases the Turkish side made no protests whatsoever.

The projected drillings at the Bambouras and Stavros areas are definitely within the Greek continental shelf and in the 12-mile zone--an area within which, on the basis of the International Law of the Sea (which Turkey has not ratified), each country has the right to extend its territorial waters.

The map on the next page shows the broader area of exploration--with the possible exception of the southwest side beyond the 12 miles in Greek waters. Therefore, the argument that the government wants to control the consortium for strategic reasons is debatable. No doubt, of course, that with nationalization the area east of Thasos will come under the absolute control of the Greek state and this will certainly make easier certain manipulations in Greek-Turkish relations whenever we decide to go ahead with drillings.



Map of the broader Thasos area showing the 200-meter depth line which formally defines the Greek continental shelf. The area east of Thasos--shown in greater on the map on the next page--shows clearly that the area of exploration is nearer to Greece than Turkey.



A = Deposit of Prinos drillings; B = Exploration area;
 C = N. Kavala natural gas deposits; D = Exploration area;
 E = Illegible

Map showing the area assigned to the International Consortium for exploration and exploitation. The pentagonal diagram shows the limits of the anticline in the Bambouras area where drillings are scheduled for the end of March. The area is beyond the 12-mile limit.

Since the question of drilling beyond the six-mile limit but within the Greek continental shelf seems to seriously preoccupy the government, it is worth examining what could happen if such drillings were undertaken.

First, through DEP and the Foreign Ministry, the government should undertake a broad campaign of information among the governments of countries having similar programs (such as, for example, Norway, Italy, Australia, China, Egypt, etc.). This campaign, whose objective would be to make known and advance Greek positions and legal rights, could be initiated just before or right after the start of drilling.

Thus, with international opinion properly updated, it would be very difficult for Turkey to attempt a dynamic intervention in the area. According to well-informed diplomatic and economic circles, Turkey might perhaps reach the decision to also extend its territorial waters to 12 miles--but to areas not closely bordering Greek territorial waters--and might at the same time intensify explorative trips of its ship Piri-Reis.

However, it would be unable to undertake sea drilling since, according to our reports, it is not yet ready to undertake such a task. Of course, if the government did not take steps to nationalize the consortium--and there were other ways of exercising pressure and control--then, it is evident Greece would have the support of the United States, Canada and West Germany, since

the companies participating in the consortium would have the support of these states in their task to complete the exploration already scheduled.

Exploration in designated areas east of Thasos is considered important because a serious decrease in the Prinos reserves is anticipated in the next 2-3 years. Thus, since the consortium has still the right to conduct prospecting in the area assigned to it east of Thasos, for the next 22 months it is to its interest to prove the existence of commercial / exploitable hydrocarbons.

In his article in the last issue of OIKONOMIKOS, G. Papanicolaou characteristically points out that the government not only was fully updated by the consortium on the need and plans for undersea explorations, but it also had absolutely agreed with such plans. (It had to, otherwise it would be obligated to notify the consortium in writing by 31 December 1986.) And fearing Turkish reactions for which it was completely unprepared, the government chose the easy solution of a compulsory purchase.

Capacity of New Field

Another version of the true reasons which led the government to nationalization of the consortium is the probable large quantities of hydrocarbons exploration had already located. According to consortium estimates the total capacity of the fields east of Thasos is at least 1.5 times greater than that of the Prinos field.

If indeed these deposits prove to be commercially exploitable, then the yield of these fields could reach 70,000 barrels a day. If we consider that the present Prinos oil well yields 20,000 barrels daily, it can easily be seen that the area's possibility can increase to 100,000 barrels daily, a quantity sufficient to cover 40 percent of the country's needs.

According to recent information, Turkish diplomatic circles are reported as favoring an American mediation on the continental shelf issue provided, however, such action leads to a dialogue on all Greek-Turkish issues. The Turks lean toward such mediation as the best possible plan since it provides them with a way out of their consistently inflexible position on Greek-related issues (FIR, Cyprus, etc.).

They appreciate that while on the one hand they declare they do not agree to discuss the continental shelf issue by itself and independently of other issues, on the other hand an intervention by a third country such as the United States would lead them out of the present deadlock.

If we seriously consider the continuous Turkish reactions to Greek positions about exploration in the continental shelf as well as the above reports and a direct intervention of the United States in the Prinos issue, we cannot exclude the possibility of a well-conceived scenario on the part of the United States and Turkey--an interpretation many have supported but which Greece does not share--which will lead to a Greek-Turkish dialogue and to finding consensual solutions to the area's problems.

Before concluding this short article on the Prinos case we should make crystal clear our thoughts on the real causes and motives which led the government to such a desperate action. Two seem to be the reasons which converge and present the government with a happy coincidence. The first is found in the initial recommendation by Peponis in 1981 that the state assume immediate control of the Prinos oil. This is an objective completely consistent with PASOK's original objectives and represents a combination of a hard attitude toward Turkey and an opposition to foreign capital.

Five years later this same objective seems to be serving in various ways the internal interests of the governing party and it was for this reason also that the takeover was attempted. The government of course completely ignored the fact that in November 1985 an agreement signed with the consortium assured the state a [figure illegible] percent participation in the consortium without having to pay a single drachma.

This was achieved thanks to the proper and successful handling of the then Energy Minister El. Veryvakis. Moreover, in accordance with the international practice of prospecting for hydrocarbons and state participation in consortiums, the government's action was considered to be a very satisfactory solution given the international crisis in oil prices.

An extension and compliment of the original Peponis position for total control of the state's resources is the possibility given to the state mechanism to expand DEP by establishing within it a successful and profit-making enterprise. The financial and other benefits to be derived by DEP, at the beginning at least, are obvious and manifold. (Among others let us not forget the pre-election accommodation for the party faithful. It will not surprise us if today's 500 consortium work positions are increased to 1,500!)

The second reason which is absolutely in step with the first as a result of the demands made and the tensions cultivated by Turkey, is that the area for new oil prospecting is indeed in a strategic point and any activity in this location must be absolutely controlled by the government--a view which we agree with and which we believe could be considered without recourse to the nationalization solution.

7520

CSO: 3521/100

NUCLEAR ENERGY DEBATE RESURFACES

Lisbon EXPRESSO in Portuguese 7 Mar 87 p 22-R

/Article by Jose Manuel Fernandes/

/Text/ Recent opposing statements by the secretaries of state for industry and environment raise a question: Has nuclear energy been set aside as an energy option or merely "put on ice"?

"Nuclear energy has been set aside," was the peremptory statement made by Carlos Pimenta, secretary of state for environment.

"Nothing has been decided yet, but we must make up our minds before 1990," says Luis Todo-Bom, secretary of state for industry and energy, the same day.

Perplexed, we ask: "Then where do we stand?"

The answer, in the logic of public administration, is negative. The 1984 version of the PEN was not approved, to be sure, but from that same version it was decided that nuclear energy should be introduced in Portugal in 2005 which implied that a decision would have to be made before 1990. This is 3 years away.

But let us recapitulate.

The first energy plan, presented at the beginning of 1983, was one of the last outstanding public acts of the Balsemao regime. Greatly criticized, that PEN-82 was destined never to be formally approved by either the last government of the AD or the new executive branch of the "central bloc" established shortly thereafter. However, Industry Minister Veiga Simao, a confirmed nuclearist, was a member of that government and one of the principal contributors to the formation of that plan.

If the PEN-82 had been approved, we would now be underway in the construction of nuclear power plants in Portugal, the first of which would be in operation in 1995.

The Importance of Public Debate

The public debate which followed the presentation of the plan would be fundamental not only for its review but also to see that this review took place within the parameters which most experts considered positive.

The two basic criticisms which were heard at that time concerned the erroneous--and highly exaggerated--anticipation of the amount of electricity which would be consumed in the future and the levity with which the nuclear option was being viewed. In fact, the need to build atomic power plants was allegedly justified by projections of energy consumption which turned out to be highly inflated. Based on a simple correction in those projections, it was concluded in the 1984 version of the energy plan that the need (hypothetical) to resort to nuclear energy could be postponed for at least 10 years.

Moreover, the criticism of the nuclear option was based on the economic aspect; it remained to be proved, as maintained by the PEN, that the nuclear solution was the cheapest for a country like Portugal.

The stirring of public opinion--which took on particular importance upon the presentation of a petition signed by hundreds of individuals of all political and cultural sectors of society-- was echoed by the executive branch; when, on 12 June 1984, the government finally seriously considered the PEN, the plan was not approved by Sousa Tavares, then minister of state for quality of life, who was playing an important role in the meeting at which the plan was being discussed. Despite a long critical analysis made at the time by Veiga Simao, the champion of the PEN, Simao was unsuccessful in winning the argument in favor of the nuclear option. Four ministers--those of the quality of life, industry, social equipment and finance--were assigned to review the plan before resubmitting it to the Council of Ministers. No worthwhile solution was achieved by that committee.

Relaunching of the Nuclear Option

As will be remembered, the 1984 debate had no positive results. In fact, it greatly added to the problem. The opponents of nuclear energy gave a sigh of relief, while the proponents rescheduled a new offensive for the end of the decade when, according to the PEN's timetable, further deliberation should occur.

Could it be that the recent statements made by Luis Todo-Bom are the first movements of the pawns in the nuclear energy game?

It is not certain; at least not according to the information which we were able to gather from members of the PEN committees. Formally, the secretary of state for industry and energy answered only one of our questions, asserting that no deliberation had been made--by either the previous executive branch or the present one--and that the deliberation in question will have to be made by 1990. Despite the fact that in 1984 Luis Todo-Bom showed a certain inclination to support the nuclear option--he was one of the promoters of a conference held in IPSD circles where nuclear proponents in particular were interviewed--a relaunching of that debate is not at all one of his priorities.

There are several reasons for this. First, the government seems bent on gradually replacing oil with coal as a primary source of energy. After the startup

of the EDP power plant in Sines, the most extensive public investment underway is another coal-fired power plant to be built in Abrantes.

Second, it is not the most favorable time to relaunch the nuclear option--Chernobyl happened only a few months ago.

"Environment" Proposes Alternatives

On the other hand, Carlos Pimenta and the Secretariat of State for the Environment have taken positions which give them greater weight in the discussion on future energy options.

Moreover, this department has just distributed a large volume entitled: "The Environment 1987" which, for the first time in Portugal, gives a detailed picture of the "state of the environment" and defines the options and programs of the Secretariat of State. One of the chapters is specifically on "The Portuguese Energy Situation and the Environment" in which a description is given of the manner in which the PEN-84 was derived along with some of the principal criticisms made at the time.

At the same time, Carlos Pimenta ordered a number of studies to be made on the subject of energy policy and some of the initial reports have already been published.

One of the reports--"Energy Utilization of the Natural Resources Within the Framework of a Policy of Regional Development and Environmental Preservation"--gives an overall and relatively exhaustive view of our potentialities in the production, for example, of electric power through the construction of mini-hydroelectric power plants.

Within the scope of this work the Secretariat of State also asked for a study on the environmental impact of the PEN-84, an aspect which is rarely considered in energy planning.

The aforementioned action was not limited to the preparation of documents; it also included programs for the utilization of mini-hydroelectric plants. One of the first to be put into operation is located in Braganca and the president of the republic visited this plant last week.

Curiously, the launching of this program in Portugal preceded the launching of another, sponsored by the EEC, to be developed within the framework of FEDER: the Valoren. This program will finance projects calling for the rational utilization of energy and new and renewable energy sources; the program is expected to channel a minimum of 10 million contos to Portugal within the next 5 years. Current finance projects now exceed 20 million contos.

The realization of these research and investment programs should put the discussion of the energy question on a different footing. First, the EDP will lose its monopoly on the production of electricity and a host of small producers will

emerge with a far different approach and development program from those which govern Portugal's biggest company. Moreover, the intervention of the environmental sector ceases to be supplementary and becomes positive; that is, it is no longer limited to rhetoric.

That is why few observers believe it possible to repeat the controversy of 1984; the internal and external atmosphere would preclude this possibility.

However, this does not mean that Portugal does not need a well-defined energy policy. Does such a policy exist without an approved PEN?

Nothing is standing in the way. The PEN was not confined to EDP's "investment plan" and a definition of the nuclear option. It also included many other orientations, particularly in the areas of energy conservation and pricing, orientations which no one refutes and which can be realistically implemented. However, there is a feeling that this is not to be done.

Is There Not an Energy Policy?

One of the things which we were told not to do was to establish a policy relating to fuel prices. Here both the government and opposition will be victims of the same lack of overall vision, both preferring to become involved in political chicanery.

In effect, the exceptional decline in the price of oil could be used to correct some of the structural weaknesses in our pricing system. In short, when artificial prices exist in Portugal which cause distortions in consumption, an opportunity like the present one--in which external price relief would make it possible to correct our pricing picture without any serious tensions--could not be presented at a better time. On the contrary, there could be no better time to alter the price of a liter of gasoline.

The predominant feeling among technical sectors is that, instead of concerning ourselves with a decision on the nuclear option which is not urgent and increasingly questionable, we should decide on an energy policy commensurate with our current situation. It should be remembered that Portugal is one of the European countries which consume the most energy per unit of the GNP, and this is worrisome and ruinous. If, like our more developed partners, we manage to lower this "intense energy consumption," we shall have won one of the most difficult battles. Hence, the importance of a genuine pricing policy which will stimulate companies and private individuals to be more rational about their consumption.

8568

CSO: 3542/73

PETROGAL, SONANGOL TO SIGN STRATEGIC OIL RESERVE AGREEMENT

Lisbon SEMANARIO in Portuguese 21 Feb 87 p 22

[Article by Antonio Camoes]

[Text] An important trade agreement between Portugal and the People's Republic of Angola may be signed in a matter of days. The success of the meeting of the Mixed Commission between both countries will depend on the result of that agreement. The Mixed Commission, which meets every 2 years and should have met in Luanda last December, was postponed so that the technical negotiations which have been underway between the two countries can conclude some of the most complex points connected with the sale of petroleum to Portugal and the granting of Portuguese financing to Angola.

Angola's intention to sell petroleum to Petrogal goes way back, according to a source close to the Portuguese delegation. However, it was Petrogal that came up with the proposal at the end of last year to buy crude from Angola. So the opportunity for the deal was worked into the preparatory technical meetings of the Mixed Commission.

Strategic Reserve in Portugal

It is the wish of the Angolan minister of the productive sphere that, in addition to the sale of crude to Portugal, our country accept the creation of a strategic Angolan petroleum reserve at Sines. According to a source connected with the negotiations, the Angolan proposal to create a strategic reserve in Portugal has two basic aspects: first, it will be a constant source of supply for Petrogal, and second, it will be a depository that will back up the commitments that Angola has made to Portugal.

According to the same source, the refining of Angolan petroleum in Portugal will also be a viable hypothesis, since the refinery at Sines was equipped, in compliance with the initial specifications when it was built, with technology capable of handling crude from Cabinda. According to the technicians, this Cabinda

crude has a different composition from the crude that Petrogal gets from other countries. This presents some technical problems in transporting it. This question is likewise to be debated by the delegations of the two petroleum companies, since, at this moment, Portugal's merchant marine finds itself short on ships with special tanks to transport Angolan crude.

Another question which is on the agenda of the negotiations between the two petroleum companies is the business of counterbalancing trade for the purchase of petroleum.

Counterbalancing Trade

Portugal is highly dependent in the field of energy. In spite of this, it has had little experience in the business of counterbalancing trade, unlike several other countries in the same situation. Petrogal has been one of the companies that has contributed the most to this shortcoming. Although it imported nearly \$900 million of petroleum in 1986, Petrogal has been invoking the need for secrecy with regard to its purchases. This has not allowed Portuguese trading companies to act in such a way that our country could export national products to balance the established trade. With Angola and Brazil, for example, it has developed a profitable trade on that basis.

For the first time, Petrogal is also being confronted with the need to become familiar with the concept of counterbalancing trade. With the sale of Angolan petroleum to Portugal, both countries want to see our country export equipment, basically, As SEMANARIO was able to verify, a Portuguese trading firm is also present at the negotiations. It has already been defined what the equipment in question essentially is: installation of machinery for the cement industry, the iron and steel industry, and equipment for dams.

Angola Plans to Pay Back Debts

While the technical negotiations between Petrogal and Sonangol are taking place, several meetings preparatory to the Mixed Commission's meeting have been held. But the meetings that will be decisive and that depend on the negotiations involving petroleum trade will deal with the financial aspects.

With the sale of petroleum to Portugal and the creation of a strategic reserve of Angolan oil in our country, Angola is seeking to consolidate debts of \$27.5 million with the backing of the Portuguese government. These debts came due in 1986.

Angola is likewise seeking from the Portuguese government a loan of 20 million contos in order to honor debts of an equal amount

which it owes to Portuguese firms and which are not covered by the public co-insurer.

In the upcoming preparatory sessions for the Mixed Commission's final meeting, Portuguese financing for repair work to the hydro-electric plant at the Lunaun Dam will also be discussed. According to a source connected with the negotiations that have been underway between the two countries, the Portuguese government is already committed to financing the first phase of the work, which will involve an investment of nearly \$11 million. The second phase, according to the same source, will involve an investment of \$22 million.

Raising the Line of Credit Ceiling

For all these actions, the Angolan government is seeking to establish a new financial agreement between the central banks of the two countries so as to raise the ceiling for line of credit operations from \$65 million to \$100 million. This ceiling consists of the possibility that the Bank of Portugal will authorize banks to carry out certain line of credit operations for Angola. The conditions under which this increase is to be enacted are yet to be studied.

The negotiations between Petrogal and Sonangol are now in the home stretch. They may be concluded shortly, since, according to the same source, the president of the Portuguese petroleum company, Mario Cristina de Sousa, is to go to Angola next week where he will attend the observance of Petroleum Week, during which he will certainly take the opportunity to put the final touches on the agreement.

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